ICMBF

6th International Conference on Advanced Research in
MANAGEMENT, BUSINESS and FINANCE

Amsterdam, Netherlands
23 - 25 June, 2023

Firms' Attributes, Cost of Equity Capital and Financial Disclosure: An Empirical Study of Kazakhstan Listed Companies

[1]Aizhan Baimukhamedova DBA, Assistant Professor, [2] Abdikadirova Gulnara, Associate Professor, [3]Baimagambetova Lyazzat, Ph.D, Associate Professor, [4]Mustafina Alma, Associate Professor, [5] Serpil Erol, Professor, [6]Gulzada Baimukhamedova, Professor

[1,5]Gazi University, Industrial Engineering, Ankara, Turkey,
[2]KBTU, Almaty, Kazakhstan,
[3]Narxoz University, Almaty, Kazakhstan,
[4]KEEU named after M.Dulatov, Kostanay, Kazakhstan,
[6]Kostanay Social and Technical University, Kostanay, Kazakhstan

Abstract

The purpose of this study is to investigate the firms' attributes and the evaluation of financial disclosure, by providing new influencing factors on the evaluation of financial disclosure quality. The relationship between disclosure and firm characteristics has received great attention from accounting researchers. The extent of corporate disclosure may be influenced by different firm factors: financial factors, non-financial factors, and social responsibility factors including firm size, industry type, listing status, leverage, performance, ownership structure, the size of the audit firm, and culture. In this study, the firm attributes such as firm size, profitability, liquidity, beta, and leverage were selected from the literature as the explanatory variables to establish the extent of their effect on the listed companies in Kazakhstan in the period from 2016-2022. The study used the variables and hypothesized that the explanatory variables have a significant effect on the disclosure level. The conceptualization of all the variables was discussed and their construct alongside operational definition. Empirical studies were reviewed for all the variables in terms of their effect on accounting disclosure. Analysis of the data was done using regression analysis. Our analysis delivers the following results showing that firm profitability, leverage, and beta have a positive and significant effect on voluntary accounting disclosure while disclosure has a negative and significant effect on the cost of equity capital of listed companies in Kazakhstan. The obtained results relate to a large body of foreign empirical research that has identified a trade-off between the cost of equity capital and corporate disclosure.

Keywords: Annual report, cost of equity capital, firm attributes, voluntary accounting

Introduction

Providing accurate and reliable information as the product of a comprehensive reporting system enables investors to better evaluate the financial performance of a company and make correct investment decisions.

Financial information about corporate firms is vital to mitigating problems with information asymmetries that exist between managers of such organizations and various stakeholders of the corporation (see Jensen and Meckling (1976). The various stakeholders seek to make investment decisions that without adequate accounting information become impossible. The accounting system is therefore supposed to be designed in such a manner that it produces and discloses information that is both relevant and faithfully represented.

According to Healy and Palepu (2001), the main purpose of corporate disclosure is "to communicate firm performance and governance to outside investors". In addition to helping shareholders and investors better assess the significance of their investments, this communication is crucial for other stakeholders, who in particular require knowledge of corporate social and environmental policies.

There has been an increasing amount of attention in accounting theory and practice regarding the significance of corporate disclosure practices. Welker (1995) asserts that since the 1929 stock market crash, regulatory efforts have been directed towards restricting the firm's discretion in determining the extent, timeliness, nature, and format of disclosures given to participants in the equity capital market and other stakeholders. Nonetheless, there are still a few significant variations in the firms' disclosure levels in the capital market.

Accounting researchers have long been interested in the relationship between a firm's attributes and accounting disclosure. The firm characteristics are company size, profitability, liquidity, firm age, and leverage, among others. Previous studies have attempted to establish an association between firm attributes and accounting disclosure (Alsaeed, 2006, Ayila, 2015, Ibrahim, 2014). Although some earlier research has found a positive correlation between firm size and profitability, others have not, as the association may be positive or negative.

Nevertheless, a few of these correlations are not significant and have not been validated in the literature on accounting disclosure. The results of earlier studies on disclosure offer a useful basis for future research on the relationship between disclosure and the underlying firm factors (Chow & Wong-Boren 1987). The current study examines the relationship between five firm factors—risk, leverage, profitability, liquidity, and firm size—and the degree of disclosure. Since these are the most frequently applied independent variables in accounting disclosure, they are researched.

It has been stated that there are implicit benefits of increasing the level of corporate disclosure to both stakeholders and the companies (Lang & Lundholm, 1993, 1996; Healy, Hutton, & Palepu, 1999). For stakeholders, disclosure will enable them to better analyze the financial

performance of the company and to assure them that the managers are managing companies at their best.

It has been suggested that raising the degree of corporate disclosure to stakeholders and companies has implicit advantages. Through disclosure, stakeholders will be able to assess the company's financial performance more accurately and feel confident that the managers are operating the business to the best of their abilities. For companies, information disclosure provides important signals about their business performance to investors and maintains direct contact with them, which raises investor confidence and subsequently lowers the cost of capital (e.g., Botosan, 1997). If disclosure has an impact on the cost of capital for the company, this should improve the market's functioning by providing adequate information.

The primary questions that have been investigated in the literature on accounting disclosure are determining what information companies are reporting, the underlying factors that may influence the amount of information reported, and the reasons behind the disclosures that companies choose to make. More research is required to look at how information is disclosed and investigate the possible advantages of information disclosure because previous studies have concentrated mostly on what information is disclosed. For instance, future research on how corporate disclosure affects the cost of capital for the company is needed.

It is motivated by the economic theory, which holds that increased disclosure lowers estimation risk (e.g., Barry and Brown 1985) and information asymmetry (e.g., Glosten and Milgrom 1985; Diamond and Verricchia 1991). First, disclosure reduces information asymmetry, which raises stock liquidity (Diamond and Verrecchia 1991) and lowers the required rate of return (Easley and O'Hara 2004). According to Leuz and Verrecchia (2004), improved disclosure may lower information risk and enhance the relationship between companies and their investors regarding the company's capital investment.

The objective of this study is to identify the relationship between a firm's attributes and accounting disclosure. Other objectives are to determine whether large firms or small ones are likely to disclose more accounting information; find out whether highly profitable firms disclose more information or not; determine whether the measure of the systematic risk of the firm is a factor in disclosing more information; to examine whether high leveraged firms disclose more information or not, and finally to determine relation between the level of voluntary disclosure and the cost of equity capital (Yusuf, 2016).

In all these studies, accounting disclosure plays an important role and must be measured in one way or another. However, information disclosure is a theoretical concept that is difficult to measure directly. The disclosure literature provides many potential indicators for measuring disclosure (Marston and Shrives, 1991).

To measure the level of disclosure, it is necessary to prepare a suitable checklist and identify the information in it, then calculate the disclosure index by ranking each item.

My study aims to contribute to the body of existing literature by discussing various models of information disclosure in terms of their applicability to economic decision-making, creating a disclosure index specifically for Kazakhstani companies, and analyzing the correlation to the company's cost of capital. In order to achieve this, I make an effort to provide empirical evidence that will enable upcoming researchers to assess the disclosure model's quality in comparison to other models.

Because of the market's inefficiency, the relatively weak regulatory framework, the absence of strong corporate governance, and the high level of information asymmetry, the topic of informational transparency of companies operating in the Kazakhstan market is not disclosed. Thus, the goal of this research is to build a new instrument and the disclosure index, and choose model components that are suitable for Kazakhstan's specifics.

The study's findings have theoretical and practical implications for companies, regulators, and emerging markets. Understanding the need to encourage voluntary accounting disclosure by companies and identifying the determinants of voluntary disclosure is critical because regulators can use this information to improve corporate transparency. This will result in better information dissemination to stakeholders and investors, allowing them to make more informed decisions about their investing activities.

Literature Review and Hypothesis Development

The relationship between information disclosure, cost of equity capital, and firm-specific characteristics has been the subject of numerous studies. The firm size, profitability, liquidity, beta, and leverage are some of these company attributes. The present study will examine the factors that are most frequently used as independent variables in the accounting disclosure literature (Aljifri, 2008; Branco and Rodrigues, 2008; Aljifri and Hussainey, 2007; Linsley and Shrives, 2006; Huafang and Jianguo, 2007; Oliveira et al., 2006; Haniffa and Cooke, 2005; Raffournier, 1995).

Previous studies (e.g., Singhvi and Desai, 1971; Firth, 1979; Chow and Wong-Boren, 1987; Hossain et al., 1995; Meek et al., 1995; Raffournier, 1995; Botosan, 1997; Depoers, 2000; Abraham and Cox, 2007; Ratanajongkol et al., 2006; Aljifri and Hussainey, 2007; Aljifri, 2008) that examined the relationship between information disclosure and firm size have identified size as a significant explanatory variable to explain variation in the level of voluntary disclosure. Numerous theoretical explanations have been proposed in the literature to explain why there is a positive correlation between firm size and voluntary disclosure level. According to agency theory (Jensen & Meckling, 1976), larger companies may have higher agency costs because of the division of ownership and management. The literature has offered a number of arguments in an attempt to support this relationship from the outset. According to Ahmed and Nicholls (1994, p.

65), larger businesses are more likely to exhibit higher levels of information disclosure and compliance because they have the means and know-how to create and publish more complex financial reports. According to McKinnon and Dalimunthe (1993, p. 39) and Lang and Lundholm (1993), larger businesses typically employ more analysts than smaller businesses, and as a result, they might have higher information needs. Wallace and Naser (1995, p. 322) assert that "size is a function of growth and the growth of a business always leads to a greater need for external capital and, therefore, a greater need for more complete information". Cooke (1989, p. 176) states that "large companies are likely to be economically important entities, so they may be required to provide more information to customers, suppliers and analysts, governments and the public".

Moreover, large companies typically reveal more information than small businesses because they are subject to greater public scrutiny (Alsaeed, 2006). Larger companies might be more complicated, and complexity requires greater disclosure of information (Cooke, 1989). According to Singhvi and Desai (1971), there are three main causes for this beneficial relationship. Large companies have three advantages over small businesses: first, they can afford to gather detailed information more easily; second, their management can recognize the potential benefits of information disclosure; and third, small businesses, in contrast to large businesses, may feel that full disclosure may adversely affect their ability to compete.

However, Wallace et al (1994) acknowledge that while there is strong support for the existence of a positive correlation between firm size and the level of information disclosure, the underlying theory remains ambiguous. A positive or negative direction is possible. On the positive side, it can be argued that large companies, with their multi-departmental structures, wide geographic distribution, and volume of sales, are likely to have a sophisticated information system that enables them to monitor all aspects of their business, both financial and non-financial, for operational, strategic, and tactical purposes. The extra expenses of providing information to external users are therefore far more cost-effective with this type of well-structured internal reporting system than they would be for smaller businesses. This will cause them to provide more information than their smaller counterparts. On the negative side, large corporations are highly visible and susceptible to political pressure to adopt socially responsible practices, stricter regulations such as price controls, and corporate tax increases. In response to this political action, firms might decide to avoid the publicity that could have resulted from disclosing certain significant events. As a result, in order to reduce the pressures mentioned above, large companies will start to disclose less information in their annual reports (Wallace et al 1994; Wallace and Naser, 1995). Firm size and the degree of information disclosure have been found to be negatively correlated in some prior research (e.g., Aljifri, 2008; Aljifri and Hussainey, 2007; Kou and Hussain, 2007). Consequently, the evidence from these studies does not point to a positive association between disclosure and size. Strong evidence supports the hypothesis that larger firms

are more likely to provide voluntary information than smaller firms. Therefore, the following hypothesis can be defined:

Hypothesis 1: There is a positive relationship between firm size (as measured by market capitalization) and the level of information disclosure.

Many empirical studies have examined the relationship between profitability and the level of information disclosure (Wallace and Naser, 1995; Meek et al., 1995; Inchausti, 1997; Glaum and Street, 2003; Akhtaruddin, 2005). Linking disclosure to financial performance is complex. For example, Singhvi and Desai (1971), Owusu-Ansah (1998), Haniffa and Cooke (2002), Gul and Leung (2004) as well and Cheng and Courtenay (2006) found a positive and significant association between profits and information disclosure, while Ho and Wong (2001), Alsaeed (2006), Hossain and Hammami (2009), Wallace et al. (1994), Inchausti (1997) and Chau and Gray (2010), Meek et al. (1995) find that profitability has no effect on disclosure, and Wallace and Naser (1995) find a negative relationship between the two. According to Lang and Lundholm (1993), cited in Owusu-Ansah (1998), depending on the performance, a company's profitability level can have a positive, neutral, or negative impact on information disclosure.

Previous research has established a positive association between profitability and disclosure, which is supported by agency and signaling theory. Companies are driven to show investors that they are performing well, which is why there is this relationship (e.g. Ahmed and Courtis 1999).

Furthermore, to maintain their positions and pay, managers of profitable companies are motivated to reveal more specific information (Inchausti, 1997). Furthermore, he contends that to defend their high levels of profit, businesses should release more information, according to political process theory.

While profitable firms will want to stand out by disclosing more information to secure financing on the best terms possible (Meek et al, 1995), it can be assumed that less profitable firms are not eager to disclose a lot of information to conceal losses and declining profits (Singhvi and Desai, 1971). Corporate managers may choose to reveal simply a lump profit that is due to the entire company because they are typically hesitant to provide specific information about a non-profitable outlet or product. Using the signaling theory, Inchausti (1997) asserts that management with strong performance is more inclined to provide comprehensive information to the public than management with weak performance to avoid the undervaluation of the company’s shares. On the other hand, unprofitable businesses may feel pressured to reveal more details to justify their poor operations (Owusu-Ansah, 1998). Given these results, the following hypothesis has been developed:

Hypothesis 2: There is a positive relationship between profitability and voluntary disclosure.

The ability of a business to satisfy its short-term financial obligations is assessed using liquidity ratios. To satisfy their short-term financial obligations, companies with high levels of liquidity are willing to provide additional information to investors, regulators, and lenders, demonstrating their exceptional performance. According to Naser, Al-Khatib, and Karbhari (2002), there is a correlation between liquidity and a company's level of disclosure. Cooke (1989) contended that a higher degree of disclosure is linked to the soundness of the company, which is typified by high liquidity. However, to defuse shareholder claims and demonstrate that management is cognizant of the company's issues, companies with low liquidity might choose to reveal more information (Wallace, Naser & Mora, 1994; Wallace & Naser, 1995; Alsaeed, 2006).

Nonetheless, prior research has not frequently employed liquidity as an explanatory variable (Nandi & Ghosh, 2012). The reason is that businesses with high levels of liquidity, or current assets, do not effectively use their capital to invest in other business opportunities and earn higher returns. This could make equity fund providers question the company's ability to manage its short-term finances effectively (Nandi & Ghosh, 2012). They contended that the investing community might not find such a company to be a wise choice (Nandi & Ghosh, 2012). The company may feel highly motivated to give sufficient information about its operational efficiency to ease the fears of the stakeholders, including the investing community, or to gain their business (Nandi & Ghosh, 2012). The aforementioned argument predicts a positive correlation between liquidity and the degree of corporate disclosure. This previous finding leads us to assume that:

Hypothesis 3: There is a positive relation between firm liquidity and voluntary disclosure.

According to Watson et al. (2002), leverage quantifies the long-term risk that a company's financial structure implies. According to Jensen and Meckling (1976), a relationship between agency cost and a firm's capital structure exists. Because a high debt ratio allows for greater potential wealth transfers from debt holders to shareholders, agency costs (e.g. monitoring costs) are greater in highly leveraged firms (i.e., more debt in the capital structures). According to agency theory, leverage, and corporate disclosure are positively correlated. In addition, compared to lower-geared firms, highly geared firms have a greater obligation to meet the demands for information of their long-term creditors. Previous studies examined whether leverage and disclosure level were related in any way (Meek et al., 1995, Chow and Wong Boren 1987, Ferguson, 2002, and Iatridis, 2008). According to Iatridis (2008), companies that reveal a lot of accounting information usually rely more on debt financing than equity to fund their operations. It has become clear that companies are more likely to tell lenders and investors about risk profiles and gearing if they follow the accounting regulation's disclosure guidelines. Providing accounting disclosures lowers overall risk and makes it possible to access a larger amount of debt market funding.

According to Myers (1977), referenced in Ali et al. (2004), companies with high debt levels typically reveal more information to creditors to reassure them that there is less chance that shareholders and management will not fulfill their covenant claims. Increased disclosure of the IAS requirement, according to Dumontier and Raffournier (1995), as cited in Ali et al. (2004), enhances the monitoring function of the financial statements and lowers agency costs. While some previous studies (Malone et al., 1993; Hossain, Perera, & Abdul Rahman, 1995) found a positive significant association, many others (Wallace, Naser, & Mora, 1994; Inchausti, 1997; Ho & Wong, 2001; Aksu & Kosedag, 2006; Alsaeed, 2006; Huafang & Jianguo, 2007; Chau & Gray, 2010) found no significant association between leverage and the level of voluntary disclosure. Nonetheless, a study by Eng & Mak (2003) revealed a statistically significant negative correlation between disclosure and financial leverage.

Inchausti (1997) states that disclosure of information can help minimize information asymmetries and prevent agency costs. Thus, it is contended that to meet the information requirements of creditors, leveraged firms must disclose more information (Uyar and Kilic, 2012). Therefore, hypothesis number four was developed as follows:

Hypothesis 4: There is a positive relationship between leverage (as measured by the ratio of total liabilities to total assets) and the level of information disclosure.

BETA is included in the model to account for systematic risk. According to the capital asset pricing model (CAPM), market beta is positively correlated with the cost of equity. BETA is estimated by the market model using a minimum of thirty monthly return observations over five years with a value-weighted S&P 500 market index return. Modigliani and Miller (1958) state that financial leverage defined as the ratio of total debt to market value of outstanding equity is used as a proxy for a firm's riskiness. The higher a company's relative debt position, the more likely it is to experience financial distress from defaulting on interest and principal payments. The analysis includes BETA and leverage to take into account a company's financial and systematic risk.

A company's cost of capital plays a major role in many different corporate decisions. The cost of capital affects the way a company operates and, consequently, its profitability. It does this by influencing the capital structure of the company and setting the hurdle rate for investment projects. Considering its significance, it is unsurprising that numerous policy recommendations have been made to assist businesses in reducing this cost.

According to earlier theoretical work on asset pricing (Botosan, 1997), there is a negative correlation between a firm's cost of capital and its disclosure policy. Generally speaking, there is evidence from two different literature streams that increased disclosures have a negative impact on the costs of equity financing. Demsetz (1968), Copeland and Galai (1983), Glosten and Milgrom (1985), Amihud and Mendelson (1986), Diamond and Verrecchia (1991) all base their

arguments on the increased stock market liquidity; Botosan (2006), Barry and Brown (1985), Coles and Loewenstein (1988), Handa and Linn (1993) all base their arguments on the decreased non-diversifiable estimation risk. According to the previous literature stream, companies would attract more long-term investors if they disclosed more corporate information. Consequently, this will have a favorable impact on the market value and the firm's stock's marketability, lowering the cost of equity financing for the business. The estimations of future cash flows by investors are the main topic of the latter strand. Investors rely on disclosed information to estimate future cash flows and calculate the present value of their investments. Greater disclosure of information reduces estimation risk and uncertainty about future cash flows, which in turn lowers the cost of equity financing for the company.

Therefore, whether disclosure lowers the cost of equity capital becomes an empirical issue, which can be tested by using the following hypothesis.

Hypothesis 5: There is a negative association between disclosure and the company's cost of equity capital.

Sample Construction and Data Description

The primary goal of this study is to determine whether companies that disclose more information have an advantage when it comes to lower cost of equity capital. This section discusses the research methods that were employed to achieve this goal. The selection procedure for the sample of listed firms used in the study is described, and then the process used to gather the primary data for the analysis is explained. This includes a description of the methodology used to calculate the cost of equity capital measures and financial disclosure.

Sample selection

At first, we took into account every company for which we have disclosure information between 2016 and 2022. Next, we have to remove all companies for which some of the information required to determine the cost of equity capital measure was absent. Thirty-seven Kazakhstani companies that are listed on stock exchanges are included in the sample. A firm needs to have a complete set of financial data for an entire fiscal year to be included in the study.

The purpose of this survey is to present an unbiased assessment of the disclosure policies that Kazakhstan's largest public companies currently follow. A comprehensive survey instrument created to evaluate the degree of corporate disclosure practices across firms serves as the study's main component.

Disclosure Index

A disclosure index derived from a content analysis of annual reports is used to measure the level of disclosed financial information by listed financial and non-financial Kazakhstani companies.

The disclosure literature makes extensive use of content analysis, and numerous studies' findings have prompted researchers to adopt this methodology (Alves et al., 2012). According to Marson and Shrives (1991), disclosure indices are comprehensive lists of specific items that could be revealed in a company report.

In addition, we developed our own disclosure index using information from the literature. In most studies, there are four steps involved in creating the disclosure index.

Initially, a checklist of information items that companies disclose or may disclose needs to be created (Marston and Shrives, 1991). A checklist with 79 financial disclosure items divided into 11 different categories was created for this study (see Appendix).

The actual information in the annual reports is examined using content analysis in the second step, and the results are compared with the prepared checklist. To evaluate the overall quality of the data in the annual report, a number of items are scored. To maintain objectivity, each question is assessed on a binary basis, and the responses to individual questions are used to create rankings for each of the three main categories as well as an overall ranking. They cover a wide range of disclosure patterns that have an impact on corporate governance procedures. Investors and analysts can concentrate on particular investment analysis requirements with the flexibility offered by this presentation format. For every attribute that is found to be present, one point is given. The number of disclosed and non-disclosed items is used to assign a score to each firm in the third step. Using a dichotomous procedure, the methodology used in this study assigns a number to each information item based on whether it is disclosed or not—one for yes and zero for no. Calculating the disclosure index is the last stage.

The total number of items scored (the sum of all the ones and zeros) is then used to determine each firm's level of disclosure. Since there is no weighting applied, the final score is just a straightforward summation of all of its components, implying that each item under consideration is given the same weight. A company receives 79 points in total if it submits all of the requested data. Based on the total of the scores, we have developed a revelation index using these scores.

Using the Capital Asset Pricing Model, the current study aims to measure the cost of equity capital directly. The study is based on annual reports from businesses, with a sample collected from the Kazakhstan Stock Exchange (KASE). The processes of selection produce 37 Kazakhstani companies. By focusing on KASE firms, it will be ensured that the sample consists of a few multiple listed companies and that each company faces approximately equal levels of disclosure pressure from different capital markets and regulatory regimes. Financial data from S&P Capital IQ, Bloomberg, and analytical reports from Halyk Finance for Kazakhstani

companies are used to develop control variables and measures of return. The construction of corporate disclosure variables, such as ownership concentration and board composition, involves the manual collection of data from government sources and annual reports.

Research design and Methodology

The Model

Multiple linear regression models are used as the statistical analyses carried out in this study to investigate the relationship between the annual report disclosure level and the influencing factors. We test our hypothesis by regressing the total disclosure score (DISCL) on market beta (BETA), firm size - the natural log of market value (LMVAL), firm profitability (ROA), liquidity (LIQD), and financial leverage (LEV). That is,

$$DISCL = \alpha + \beta_1 BETA + \beta_2 LMVAL + \beta_3 ROA + \beta_4 LIQD + \beta_5 LEV + \beta_6 COE + \varepsilon \quad (1)$$

The model variables' measurements, definitions, and symbols are presented in Table 1. Additionally, the majority of the model variables' measurements are consistent with previous research; such as, the voluntary disclosure index's measurement is based on Botosan (1997).

Table 1: Dependent and Independent Variables Measurement

Variables	Proxy	Measurement
Dependent variable DISCL	Voluntary disclosure index	The number of items actually and voluntarily disclosed by a given firm divided by the total number of relevant items that should be disclosed (Botosan, 1997)
Independent variables		
Beta	Systematic risk	Beta is estimated by the market model using a minimum of thirty monthly return observations over five years with a value-weighted S&P 500 market index return.
LMVAL	Firm size	LMVAL is measured as the natural logarithm of market value of total assets for the firm.
ROA	Firm profitability	ROA refers to the return on assets and is measured as the ratio of net income to total assets
LIQD	Firm liquidity	LIQD is measured as the ratio of current assets to current liabilities
LEV	Firm leverage	LEV is measured as long-term debts divided by total assets
COE	Cost of equity capital	COE is a measure of the discount rate that the market applies to a firm's expected future cash flows to determine the current stock price

Empirical Results and Discussion

Descriptive statistics

The firm characteristics and disclosure index statistics are presented in Table 2. First, Table 2 shows that the average firm size, measured in terms of market capitalization, is about $210 million. The median market capitalization is smaller than the mean at $1.62 million. This suggests that the sample of firms also includes medium-sized firms. Profitability as one of the proxies has a mean average of 0.072 with a standard deviation of 0.10. This suggests that there is a wide variation between the profits of listed Kazakhstan companies.

Variable	Mean	Median	Std. Dev.
MVAL	210417	1621,5	981885,12
ROA	0.0720	0.0700	0,1000
LIQD	0,5261	0,3510	0,1280
LEV	0,1878	0,1415	0,1851
BETA	0,9592	0,9400	0,3778
COE	13,5318	13,6000	0,7100
DISCL	33,0695	32,0000	6,1072

Table 2: Descriptive Statistics

The summary statistics concerning liquidity for the average is 0.5261 with a standard deviation of 0.351. This shows that there is no wide variation between the mean and the standard deviation. The table also shows that BETA, a measure of risk for the sample of firms in the study, is 0.9592. There are some high-risk and low-risk firms in the sample, as indicated by the median of 0.94, which is slightly less than the mean. The mean of COE is 13.53% and the median is 13.6%. The average Disclosure index is 33.07%, with a wide range of 0% to 100%, which indicates that only 33.07%, on average, of all the disclosure index items are actually disclosed by the sample firms. Thus, there is a large variety of information disclosure practices among the sample corporations. The mean leverage of the companies is around 18.78%, which supports the idea that companies in Kazakhstan typically do not rely too much on debt financing. The median is 14.15%. The presence of low- and medium-geared firms in the sample is indicated by the fact that the median is lower than the mean. In general, firms in the sample are lowly geared that conforms to the idea that Kazakhstani businesses utilize more equity capital than debt.

Overall, these data demonstrate that there are large differences among companies in the sample with regard to risk, size, liquidity, debt, and profitability (variations as indicated by the standard deviations). This variation implies that the study's sample of firms is diverse, which may allow for the generalization of the findings.

Table 3: Regression Analysis, Disclosure Score is Dependent Variable*

Variables	Coefficients	t-value	Sig.
Cons	48,057	6,728	0,000
LMVAL	-3,370	-4,069	0,000
ROA	5,201	1,720	0,678
LIQD	-14,022	-0,607	0,548
LEV	10,294	2,754	0,012
BETA	6,825	1,839	0,076
COE	-0,522	-3,285	0,845
F-value	5,093		
Prob > F	0,000		
R-squared	0,537		
Adj. R2	0,431		

*Table 3 shows the summary of findings regarding the relationship between disclosure score and company attributes, which are proxied by LMVAL (the natural log of market value), ROA (profitability), LIQD (liquidity), BETA (market beta), LEV (financial leverage) and COE (cost of equity) between 2016 and 2022 for the 37 sample companies from the KASE.

Table 3 summarizes the results of the OLS regression analysis. The F-value is 5.093 (P = 0.000), which indicates that the study model is statistically significant. Moreover, the adjusted value of the determination coefficient (Adj.R2) = 0.431, which implies that the independent variables explain 43.1% of the total variation in the voluntary disclosure index. In sum, the model is statistically effective for explaining the variation in the extent of voluntary disclosure.

Table 3 presents the regression coefficient for the firm size, which is statistically significant and negative, indicating that the results of the independent variables do not support the first hypothesis. The outcome contradicts the findings of a prior study, which found that corporate transparency and disclosure increased with firm size. The majority of prior research has indicated a positive relationship, but the theoretical basis of this relationship is not entirely clear. There are two possible directions for an association: either positive or negative. Size and the degree of corporate disclosure were found to be negatively correlated in a few earlier studies (e.g., Aljifri, 2008; Aljifri and Hussainey, 2007; Kou and Hussain, 2007).

In line with the second hypothesis, the data demonstrate a positive correlation between firm profitability and voluntary disclosure that is statistically significant at 1%. This finding supports the claims made by the agency and political costs theories, according to which managers of high-profit companies will provide more information to further their own goals, like building a positive reputation, and to support their compensation package (Barako, 2007; Inchausti, 1997). Additionally, the outcome supports the signaling theory's argument that successful companies reveal more information to increase the value and price of their shares (Inchausti, 1997). This finding supports the claims made by Wang et al. (2008) and Samaha and Dahawy (2011), among

others, that managers are encouraged to increase information to signal quality when profits are higher.

Furthermore, the analysis reveals a statistically significant negative correlation (significance level of 10%) between liquidity and voluntary disclosure. Our third hypothesis, which states that companies with high liquidity are more likely to disclose more information, conflicts with this result. This implies that higher liquidity contributes negatively to increasing the level of voluntary accounting disclosure of listed financial service companies in Kazakhstan. The result is consistent with those of prior studies by Uyar, et al, (2013), and Alfraih and Almutawa, (2014) and contradicts Barako, (2007), Hawashe, (2014), Shehata, Dahawy, and Ismail, (2014), Albitar, (2015). The result also aligns with agency theory, which proposes that firms with less liquidity typically reveal more information to reduce the conflict between shareholders and creditors (Abd-Elsalam, 1999).

Additionally, the analysis indicates that firm leverage positively and significantly affects voluntary disclosure (significance level of 1%). This supports the agency theory's argument that leveraged companies are more likely to share more information in an attempt to lower the increased agency costs caused by high debt (Alves et al., 2012). Wallace et al. (1994), Inchausti (1997), Ho & Wong (2001), Aksu & Kosedag (2006), Alsaeed (2006), Huafang & Jianguo (2007), and Chau & Gray (2010) all found positive associations that are in line with this finding. The findings indicate that companies with higher levels of debt typically exhibit high levels of corporate transparency and disclosure.

The degree of corporate transparency and disclosure is positively correlated with a measure of the firm's systematic risk, as indicated by positive and statistically significant coefficient for BETA. A lower cost of equity capital is observed in companies that are pre-committed to disclosure, as indicated by a negative and statistically significant coefficient for COE. Consequently, confirming the research hypothesis 5.

In sum, the regression results provide evidence that firm profitability and leverage positively affect the voluntary disclosure of Kazakhstan-listed companies. However, firm size, liquidity, and cost of equity capital were found to negatively affect voluntary disclosure.

Conclusion and Recommendations

This study investigates the determinants of voluntary disclosure of Kazakhstan-listed companies in the period 2016–2022 by using both content analysis and OLS regression analysis.

Based on the findings and analysis, the study provides evidence of a relationship between firms' attributes and disclosure. The analysis of the results showed that larger firms do not tend to disclose more information than smaller ones; profitable firms disclose accounting information

rather than low profitable firms; low liquid firms disclose more information; and, finally high leveraged firms are prone to disclose more information. This result implies that these firm attributes are the main voluntary disclosure drivers in Kazakhstan.

According to our descriptive analysis, the average level of voluntary disclosure is 33%, the lowest ever observed among the other countries. Kazakhstani companies primarily have a relatively high degree of opacity. It is necessary to raise information disclosure standards to a higher level.

No information transparency topics were disclosed for the Kazakhstani market. Because of this, the work is primarily based on applying foreign experience; however, the authors have attempted to account for the characteristics and specifics of Kazakhstan when developing a disclosure index and model selection factors.

The findings of the study also provide evidence of the positive association between voluntary disclosure extent and variables such as firm profitability and leverage. However, a negative association was found between firm size, liquidity, cost of equity capital, and the level of voluntary disclosure.

The current study investigated the hypothesis that firms would experience a decrease in their cost of equity capital if more information was revealed in corporate annual reports. As a result, this study advances the body of knowledge regarding the benefits of corporate disclosure. This closes a gap in the literature by examining disclosure's effect on the cost of equity capital for the company empirically.

Since the information presented in financial reports might not be as reliable as it first appears, we should be more cautious when it comes to the quality of information that the companies disclose. Because of this, auditors' duties include finding mistakes and ensuring that information is reliable by carefully examining its quality of disclosure. When it comes to their management supervision systems, audit committees, independence standards, and whistleblowing procedures, large companies tend to disclose more information than small ones. But large companies don't seem to provide better information about their environment than small ones do. Given that adhering to good governance is eventually more important than firm size—which is likely the primary criterion to enhance financial stability—these findings undoubtedly highlight issues that are at the core of the majority of financial scandals. Informing internal and external users of an organization's financial and economic situation is one of the primary goals of financial statement disclosure, as we have seen above. Nonetheless, the public's confidence in financial reporting has been weakened by well-known fraud scandals (Enron, WorldCom, Global Crossing, Xerox, Adelphia, Global Crossing, Parmalat, Lucent, Tyco, etc.). Large, successful companies might attempt to hide and avoid the actual circumstances. In these situations, auditors need to exercise caution regarding the accuracy of the information they may find misleading. Financial disclosures aren't always accurate or dependable enough to be used as a guide for future assessments.

According to Rezaee (2005), fraudulent statements have caused investors to lose over $500 billion in recent years, which has damaged the financial statements' credibility. Therefore, the benefits of disclosure on a global scale for preventing financial scandals appear questionable. Nonetheless, laws, rules, and regulations have attempted to improve the quality of disclosure, and audits are typically conducted to prevent issues with the reliability of financial statements. Investors can rely on the data currently available about corporations to evaluate their prospects as they become more dependable due to improved disclosures in the financial statements. This study has several limitations as well. First, we restrict our analysis to five possible determinants of disclosure due to data availability. Secondly, the study period is limited to seven years, and only 259 firm-year observations were examined. Due to the sample selection from the KASE, only the biggest companies with significant analyst followings were included. Hence, the results may not be generalizable to small and unlisted companies and companies of other industries.

These limitations open up a lot of other interesting paths for further research. Further studies have to be done to assess the quality of voluntary disclosure and look more closely into the reasons behind disclosures. To increase the robustness of evidence beyond that presented in this study, future research could also involve expanding the number of firms examined to include firms from other sectors and adding more variables, such as listing status, audit firm, number of shareholders, industry type, board composition, leadership structure, and shareholders concentration, among others. Future research topics could include interim reports, press releases, and the internet, as alternative disclosure mediums to annual reports.

Tighter regulations and guidelines for disclosure are necessary to restore public trust in corporate reporting, as evidenced by the growing public demand for relevant disclosure. To obtain the benefits of information disclosure, businesses should enhance voluntary information disclosure and transparency. The study's findings, which imply that annual reports' disclosure is insufficient, imply that users' information needs are currently not entirely satisfied. By establishing guidelines for appropriate voluntary disclosure practices in annual reports and making sure stock exchanges and other self-regulatory organizations adhere to strict ethical and professional standards, regulatory bodies can also play a significant role. General statements of reporting policy were found to be the most prevalent disclosures.

References

[1] Abd-Elsalam, O.H. (1999). The Introduction and Application of International Accounting Standards to Accounting Disclosure Regulations of a Capital Market in a Developing Country: The Case of Egypt, PhD Thesis, Heriot-Watt University, Edinburgh, UK

[2] Abrahama, S. & Cox, P. (2007). Analyzing the determinants of narrative risk information in UK FTSE 100 annual Reports. The British Accounting Review, vol.39, 227–248.

[3] Ahmed, K., &Nicholls, D. (1994). The impact of non-financial company characteristics on mandatory compliance in developing countries: the case of Bangladesh. The International Journal of Accounting, 29 (1), pp. 60-77.

[4] Ahmed, K., & Courtis, J. (1999). Association between Corporate Characteristics and Disclosure Levels in Annual Reports: A meta-analysis, The British Accounting Review, (31), 35-61.

[5] Akhtaruddin, M. (2005). Corporate mandatory disclosure practices in Bangladesh. International Journal of Accounting, 40, 399- 422.

[6] Aksu, M. & Kosedag, A. (2006). Transparency and disclosure scores and their determinants in the Istanbul Stock Exchange. Corporate Governance, 14(4): 277-296.

[7] Ali, M. J., Ahmed, K., & Henry, D. (2004). Disclosure compliance with national accounting standards by listed companies in South Asia. Accounting and Business Research, 34 (3), 183-199.

[8] Albitar, K. (2015). Firm characteristics, governance attributes, and corporate voluntary disclosure: A study of Jordanian listed companies. International Business Research,8(3), 1–10.

[9] Aljifri, K. (2008). Annual report disclosure in a developing country: the case of the UAE. Advances in International Accounting, Vol. 24 No. 1, pp. 93-100.

[10] Aljifri, K., &Hussainey, K. (2007). The determinants of forward-looking information in annual reports of UAE
Companies. Managerial Auditing Journal, Vol. 22 No. 9, pp. 881-894.

[11] Alsaeed, K. (2006). The association between firm-specific characteristics and disclosure. Managerial Auditing Journal, 21, 476-496.

[12] Alsaeed, K. (2006). The association between firm-specific characteristics and disclosure: The case of Saudi Arabia. Managerial Auditing Journal, 21(5): 476-496. http://dx.doi.org/10.1108/02686900610667256

[13] Alves, H., Rodrigues, A. M., &Canadas, N. (2012). Factors influencing the different categories of voluntary disclosure in annual reports: An analysis for Iberian Peninsula listed companies. Tékhne, Vol.10, Issue1, pp15–26.

[14] Amihud, Yakov, & Haim Mendelson. (1986). Asset pricing and the bid-ask spread, Journal of Financial Economics 17, 223-249.

[15] Ayila, R. U., (2015). Association between corporate attributes and extent of compliance with accounting standards disclosures by commercialized federal government enterprises in Nigeria. Unpublished PhD thesis in the Department of Business Administration, Faculty of Management Sciences, University of Jos.

[16] Barako, D. G. (2007). Determinants of voluntary disclosures in Kenyan companies' annual reports. African Journal of Business Management, 1 (5), 113-128.

[17] Barry C. and Brown, S. (1985). Differential information and security market equilibrium. Journal of Financial and Quantitative Analysis, Vol. 20 No. 4, pp. 407- 422, doi: 10.2307/2330758.

[18] Botosan C.A. (1997). Disclosure level and the cost of equity capital, The Accounting Review. Vol. 72 No. 3, pp. 323-48.

[19] Botosan C., Plumlee, M. (2002). A re-examination of disclosure level and the expected cost of equity capital. Journal of Accounting Research 40, 21–40

[20] Branco, M.C. and Rodrigues, L.L. (2006). Corporate social responsibility and resource-based perspectives. Journal of Business Ethics, Vol. 69 No. 2, pp. 111-132.

[21] Chau, G. & Gray, S.J. (2010). Family ownership, board independence and voluntary disclosure: Evidence from Hong Kong. Journal of International Accounting, Auditing and Taxation, 19(2): 93-109. http://dx.doi.org/10.1016/j.intaccaudtax.2010.07.002

[22] Cheng, E.C.M. & Courtenay, S.M. (2006). Board composition, regulatory regime and voluntary disclosure. The International Journal of Accounting, 41(3): 262-289. http://dx.doi.org/10.1016/j.intacc.2006.07.001

[23] Chow, C. W. & Wong-Boren, A. (1987). Voluntary financial disclosure by Mexican corporations. The Accounting Review, 62 (3), 533-541.

[24] Coles, J., & Loewenstein, W. (1988). Equilibrium pricing and portfolio composition in the presence of uncertain parameters, Journal of Financial Economics 22, 279-303. http://dx.doi.org/10.1016/0304-405X(88)90072-4

[25] Cooke, T. E. (1989). Disclosure in the corporate annual reports of Swedish companies. Accounting and Business Research, 19 (74), 113-124.

[26] Cooke, T.E. (1989). Voluntary corporate disclosure by Swedish companies. Journal of International Financial Management and Accounting, 1(2): 171-195. http://dx.doi.org/10.1111/j.1467-646X.1989.tb00009.x

[27] Copeland, Thomas C., and Daniel Galai (1983). Information effects of the bid-ask spread. Journal of Finance 38, 1457- 1469.

[28] Depoers, F. (2000). A cost–benefit study of voluntary disclosure: some empirical evidence from French listed
Companies. European Accounting Review, 9(2), pp. 245–263.

[29] Demsetz, H. (1968). The cost of transacting. Quarterly Journal of Economics 82, 33- 53.

[30] Diamond D.W., &Verrecchia, R.E. (1991). Disclosure, liquidity, and the cost of capital. The Journal of Finance, Vol. XLVI No. 4, pp. 1325-59.

[31] Dumontier, P. and B. Raffournier (1998). Why Firms Comply Voluntarily with IAS: an Empirical Analysis with Swiss Data. Journal of International Financial Management and Accounting, 9 (3), 216- 245.

[32] Easley D., & O'Hara, M. (2004). Information and the cost of capital. Journal of Finance, Vol. 59 No. 4, pp. 1553-1583.

[33] Eng, L.L., & Mak, Y.T. (2003). Corporate governance and voluntary disclosure. Journal of Accounting and Public Policy, 2003, vol. 22, issue 4, 325-345

[34] Ferguson, M. J., Lam, K.C.K. & Lee, G.M. (2002). Voluntary disclosure by state owned enterprises listed on the stock exchange of Hong Kong, Journal of International Financial Management and Accounting, 13 (2), 125-152.

[35] Firth, M. (1979). The effects of size, stock market listings and auditors on voluntary disclosure in corporate annual reports. Accounting Business Research. 9(36), 29-42.

[36] Francis, J.R., Khurana, I.K. and Pereira, R. (2005).Disclosure incentives and effects on cost of capital around the world. Accounting Review, Vol. 80 No. 4, pp. 1125-1162

[37] Glaum, M. & Street, D.L. (2003). Compliance with the Disclosure Requirements of Germany's New Market: IAS Versus US GAAP. Journal of International Financial Management & Accounting, 14, pp. 64–100. Doi:10.1111/1467-646X.00090.

[38] Glosten, Lawrence R., and Paul R. Milgrom (1985). Bid, ask, and transaction prices in a specialist market with heterogeneously informed traders. Journal of Financial Economics,14, 71-100.

[39] Gul, F.A. & Leung, S. (2004). Board leadership, outside directors' expertise and voluntary corporate disclosures. Journal of Accounting and Public Policy, 23(5): 351-379. http://dx.doi.org/10.1016/j.jaccpubpol.2004.07.001

[40] Hail, L. (2002). The impact of voluntary corporate disclosures on the ex-ante cost of capital for Swiss firms. European Accounting Review, Vol. 11 No. 4, pp. 741-773

[41] Handa, P., & Linn, S. (1993). Arbitrage pricing with estimation risk. Journal of Financial and Quantitative Analysis, 28 (1), 81-100.
http://dx.doi.org/10.2307/2331152

[42] Haniffa, R.M. & Cooke, T.E. (2002). Culture, corporate governance and disclosure in Malaysian corporations.
Abacus, 38(3): 317-349.

[43] Haniffa, R.M., Cooke, T.E. (2005). The impact of culture and corporate governance on corporate social reporting. Journal of Accounting and Public Policy, 24(5), 391–430

[44] Healy, P. M., Hutton, A., & Palepu, K. G. (1999). Stock performance and intermediation changes surrounding sustained increases in disclosure. Contemporary Accounting Research, 16, 485−520.

[45] Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. Journal of Accounting and Economics, 31, 405−440.

[46] Ho, S.S. & Wong, K.S. (2001). A study of the relationship between corporate governance structures and the extent of voluntary disclosure. Journal of International Accounting, Auditing and Taxation, 10(2): 139-156.

[47] Hossain, M. & Hammami, H. (2009). Voluntary disclosure in the annual reports of an emerging country: The case of Qatar. Advances in Accounting, Incorporating Advances in International Accounting, 25(2): 255-265.

[48] Hossain, M., Berera, M. & Rahman, A. (1995). Voluntary Disclosure in the Annual Reports of New Zealand Companies. Journal of International Financial Management and Accounting, 6, 1: 69-87.

[49] Huafang, X., & Jianguo, Y. (2007). Ownership structure, board composition and corporate voluntary disclosure: evidence from listed companies in China. Managerial Auditing Journal, Vol. 22 No. 6, pp. 604-619.

[50] Iatridis, G. (2008). Accounting disclosure and firms' financial attributes: Evidence from the UK stock market. International Review of Financial Analysis, 17, 219-241.

[51] Inchausti, B.G. (1997). The influence of company characteristics and accounting regulation on information disclosed by Spanish firms. The European Accounting Review, 6(1): 45-68.

[52] Jensen, M.C. and Meckling, W.H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Capital Structure. Journal of Financial Economics, 3(4): 305-360.

[53] Kou, W. and Hussain, S. (2007). Predictive gains to segmental disclosure matrices, geographic information and industry sector comparability. The British Accounting Review, Vol. 39, No. 3, pp. 183-195

[54] Lang, M., & Lundholm, R. (1993). Cross-sectional determinants of analyst ratings of corporate disclosures. Journal of Accounting Research, 31, 246−271.

[55] Leuz, C., Verrecchia, R. (2004). Firms' capital allocation choices, information quality, and the cost of capital. SSRN Electronic Journal.

[56] Linsley and Shrives (2006a). Risk Reporting: A Study of Risk Disclosure in the Annual Reports of UK Companies. The British Accounting Review, 38, pp.387-404

[57] Malone, D., Fries, C. & Jones, T. (1993). An empirical investigation of the extent of corporate financial disclosure in the Oil and Gas industry. Journal of Accounting, Auditing and Finance, 3 (3), 249-273.

[58] Marston, C. L. & Shrives P. J. (1991). The use of disclosure indices in accounting research. British Accounting Review, 23, 195-210.

[59] McKinnon, J. and Dalimunthe, L. (1993). Voluntary disclosure of segment information by Australian diversified Companies. Accounting & Finance, 33 (1), 33–50.

[60] Meek, G. C., Roberts, B. & Gray, J. (1995). Factors influencing voluntary annual report disclosures by U.S., U.K. and Continental European multinational corporations. Journal of International Business Studies, 26 (3), 555-572.

[61] Modigliani, F, and Miller, M. H. (1958). The Cost of Capital, Corporate Finance and the Theory of Investment. The American Economic Review, 3, 261- 297.

[62] Myers SC (1977). The Determinants of Corporate Borrowing, Journal of Financial Economics 5, 147-175.

[63] Nandi, S., & Ghosh, S. K (2012). Corporate Governance attributes firms' characteristics and the level of corporate disclosure: Evidence from the Indian Listed Firms. Decision Science Letters, 2, 45-58.

[64] Naser, K., Al-Khatib, K. & Karbhari, R. (2002). Empirical evidence on the depth of corporate information disclosure in developing countries: The case of Jordan. International Journal of Commerce and Management, 12 (3 & 4), 122-155.

[65] Owusu-Ansah, S. (1998). The impact of corporate attributes on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. The International Journal of Accounting, 33 (5), 605-631.

[66] Raffournier, B. (1995). The determinants of voluntary financial disclosure by Swiss listed companies. The European Accounting Review, vol. 4: 261-280

[67] Ratanajongkol, S., Davey, H., & Low, M. (2006). Corporate social reporting in Thailand. Qualitative Research in Accounting & Management, 3(1), 67–83.

[68] Rezaee, Z. (2005). Causes, consequences, and deterrence of financial statement fraud. Critical Perspectives on Accounting, Vol. 16 No. 3, pp. 277-298.

[69] Samaha, K. & Dahawy, K. (2011). An Empirical Analysis of Corporate Governance Structures and Voluntary Corporate Disclosure in Volatile Capital Markets: the Egyptian

Experience. International Journal of Accounting, Auditing and Performance Evaluation (IJAAPE) 7 (1/2), 61-93.

[70] Shehata, N.F., Dahawy, K., and Ismail, T. (2014). The Relationship between Firm Characteristics and Mandatory Disclosure Level: When Egyptian Accounting Standards Were First Adopted. Mustang Journal of Accounting and Finance, 5(4): 85-103

[71] Singhvi, S. S. & Desai, H.B. (1971). An empirical analysis of the quality of corporate financial disclosure. The Accounting Review, 46 (1), 129-138.

[72] Uyar, A., Kilic, M. & Bayyurt, N. (2013). Association between firm characteristics and corporate voluntary disclosure: Evidence from Turkish listed companies. Intangible Capital, 9(4): 1068-1112.

[73] Wallace, R. S. O & Naser, K. (1995). Firm-specific determinants of the comprehensiveness of mandatory disclosure in the corporate annual reports of firms listed on the Stock Exchange of Hong Kong. Journal of Accounting and Public Policy, 14, 311-368.

[74] Wallace, R. S. O., Naser, K. & Mora, A. (1994). The relationship between the comprehensiveness of corporate annual reports and firm characteristics in Spain. Accounting and Business Research, 25 (97), 41-53.

[75] Wang, K., Sewon, O., & Claiborne, C. (2008). Determinants and consequences of voluntary disclosure in an emerging market: Evidence from China. Journal of International Accounting, Auditing and Taxation 17, 14-30

[76] Watson, A., Shrives, P., & Marston, C. (2002). Voluntary disclosure of accounting ratios in the UK. The British Accounting Review, 34(4), 289-313.

[77] Welker M. (1995). Disclosure policy, Information Asymmetry and Liquidity in Equity Markets. Contemporary Accounting Research, vol. 11(2), pp. 801-827.

[78] Yusuf I. (2016). Firms' Attributes and Accounting Disclosure: A Synthesis Analysis.

[79] Hawashe, A. A.-M. (2014). An evaluation of voluntary disclosure in the annual reports of commercial banks:
Empirical evidence from Libya (Doctoral thesis). Retrieved from https://usir.salford.ac.uk/id/eprint/31513/3/Thesis_Abdallah_Hawshe_2014.pdf

Appendix A

Survey Instrument

Section A – Ownership Structure and Shareholder Rights

Transparency of ownership

1. Does the firm provide a description of share classes?
2. Does the firm provide a review of shareholder classes?
3. Does the company provide the number and par value of outstanding and authorized but unissued shares of common stock?
4. Does the company provide the number and par value of preferred, non-voting, and other classes of shares issued and outstanding and authorized but unissued?
5. Does the company disclose the voting rights of each class of stock?
6. Does the company disclose its top 1, 3, 5, and 10 shareholders?
7. The number and identity of each shareholder holding 10% or more of the company's stock
8. Does the company disclose its cross shareholding ratio? - Information regarding cross shareholdings.

Voting and shareholder meeting procedures

9. Is a list of significant dates for shareholders available?
10. Shareholder meeting review (may involve minutes)?
11. Could you please explain how proposals are made at shareholder meetings?
12. How are extraordinary general meetings called by shareholders?
13. How do shareholders propose people for the board of directors?
14. Could you explain the inquiry process to the board?
15. Does the Corporate Governance Charter or Code of Best Practice get mentioned or published in the annual report?
16. Does the company publish the charter articles of incorporation or the articles of association?

Section B – Financial Information

Business focus

17. Does the manager discuss a corporate strategy?
18. Does the company report details of what type of business it is engaged in?
19. Does the business provide a summary of the trends in its industry?
20. Provide specifics about the goods or services that were produced or rendered?
21. Could you please provide a segment analysis by business line?
22. Does the business reveal its market share for each and every one of its ventures?
23. Does the business provide any kind of basic earnings forecast? If any, please provide details?
24. Can you describe the physical output?
25. Does the company provide any kind of output forecast?
26. Does the company disclose the attributes of the assets used?
27. Does the company offer performance metrics like ROA, ROE, and so on?
28. Does the company offer any ratios particular to the industry?
29. Does the company reveal what investments it intends to make in the upcoming years?
30. Does the company make public the specifics of its upcoming investment plans?

Accounting policy review

31. Is quarterly financial information provided?
32. Does the company talk about its accounting philosophy?
33. Does the company reveal the accounting principles it employs in its financial reporting?
34. Does the company offer accounts in compliance with local accounting standards?
35. Does it use an alternative internationally recognized method of accounting for its accounts? Does it provide a balance sheet, income statement, and cash flow statement each using an internationally recognized method?
36. Does it provide reconciliations between the internationally recognized method and the domestic accounts?

Accounting policy details

37. Does the company provide the method of valuation of assets?
38. Disclose the method of depreciation of fixed assets?
39. Are consolidated financial statements prepared?

Related party structure and transactions

40. Provide a list of minority-owned affiliates.
41. Is the ownership structure of affiliates disclosed by the company?
42. Is a register or list of related party transactions available?
43. Is a register or list of group transactions available?

Information on auditors

44. Does the company disclose the name of the audit firm?
45. Does the company reproduce the audit report?
46. Does the company disclose the amount of audit fees paid to the auditor?
47. Does the company disclose non-audit fees paid to the auditor?

Section C – Board and Management Structure and Process

Board structure and composition

48. Do you have a chairman listed?
49. Please give details of the chairman (other than name/title)?
50. Do you have a list of directors (names)?
51. Are there details of the directors (other than name/title)?
52. Are details of the current workplace/title of the director given?
53. Are details of past jobs/positions provided?
54. Does it explain when each director joined the company?
55. Does it classify directors as executive or non-executive?

Role of the Board

56. Does the company provide details about the role of the board?
57. Is a list of issues reserved for the Board of Directors disclosed?
58. Is there a list of Board committees?
59. Is there an evaluation of previous board meetings (minutes may be accepted)?
60. Is there an audit committee?

61. Disclosure of the names of audit committee members?
62. Announcement of the names of the nomination committee?
63. Disclosure of internal audit units other than the audit committee?
64. Is there a strategy/investment/finance committee?

Director training and compensation

65. Explain whether the company provides training for managers and directors?
66. Does it disclose the number of shares held by managers in the company?
67. Does it explain the process of determining the remuneration of managers?
68. Does it disclose specific details (figures) about the remuneration of directors?
69. Does it disclose the form of remuneration (cash, shares, etc.)?
70. Does the company disclose specific details of performance-related remuneration for executives?

Executive compensation and evaluation

71. Does the company provide list of the senior managers (not on the board of directors)?
72. Disclosure of backgrounds of senior managers?
73. Does it disclose the number of shares held by the senior management?
74. Disclose the number of shares held by managers in other affiliated companies?
75. Discuss the determination of managers' (not board) salary?
76. Disclose number of managers' (not on board) salaries?
77. Forms of disclosure of remuneration of managers (non-directors)?
78. Specific disclosure of performance-related remuneration for managers?
79. Disclosure of CEO contracts?

Appendix B

Robustness check

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method

1	LEV, LIQD, LMVAL, COE, BETA, ROA[b]	.	Enter

a. Dependent Variable: DISCLOSURE

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,689[a]	,537	,431	0,803055

a. Predictors: (Constant), LEV, LIQD, LMVAL, COE, BETA, ROA

b. Dependent Variable: DISCLOSURE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20,15894	6	4,031788	,875	,525[b]
	Residual	4,71569	30	0,362745		
	Total	24,87463	36			

a. Dependent Variable: DISCLOSURE

b. Predictors: (Constant), LEV, LIQD, LMVAL, COE, BETA, ROA

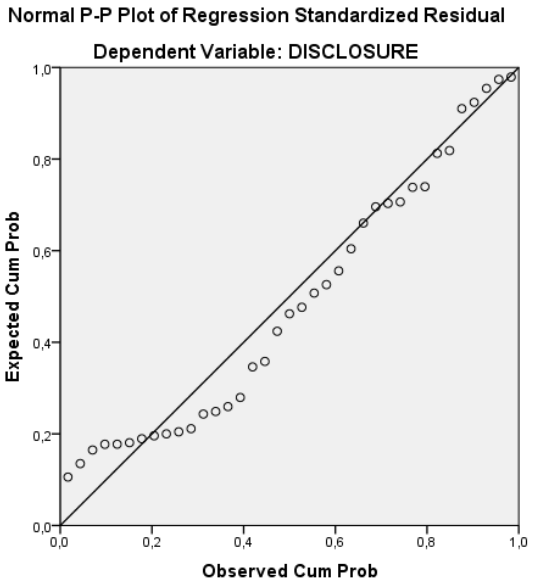
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	36,171	16,015		2,259	,031
	COE	-,522	,628	-,036	-3,285	,845
	BETA	6,825	3,711	,344	1,839	,076
	LIQD	-14,022	23,091	-,118	-,607	,548
	ROA	5,201	25,433	,087	1,720	,678
	LMVAL	-3,370	,000	-,243	-4,069	,191
	LEV	10,294	3,718	,024	2,754	,890

a. Dependent Variable: DISCLOSURE

Appendix C

Normal P-P Plot Regression Standardized Residual


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: DISCLOSURE
Expected Cum Prob
Observed Cum Prob
0,0
0,2
0,4
0,6
0,8
1,0