

**THE ROLE OF VOLUNTARY DISCLOSURE, EARNINGS QUALITY AND
INFORMATION ASYMMETRY ON THE COST OF CAPITAL**

MUSTAFA YUOSEF MUSTAFA SAA'DEH

**A Thesis Submitted in Fulfillment of the Requirements for the Degree of Doctor
of Philosophy in the School of Maritime Business and Management
University Malaysia Terengganu**

2018

DEDICATION

This work is dedicated to the spirit of my beloved mother, may God have mercy on her, and allow her to dwell in paradise. To the source of my happiness and the supporter of my heart, my dear father Professor Dr Yousef Saadeh for his financial and moral support, may God preserve him. To my dear wife Dalal and our three flowers Rama, Maria and Yousef, thank you for your understanding of my absence and not participating in holiday times during my research. To the source of my honour and pride my sisters and my brother and their families. To all those who witnessed the testimony of truth and stood on the path and follow Muhammad may peace be upon him. Thanks are also extended to those who assisted in completing the collection of the research data, Mr Adnan Abu Al Haija in the Securities Commission of Jordan and the auditor Mr Islam Nazzal. I will also never forget the valuable support, time and information provided by Professor Dr Thair Kaddumi during the process of calculating the variables for this study. Also, thanks to Dr Freya Martin for her assistance in proofreading my thesis.

Abstract of the thesis presented to the Senate of Universiti Malaysia Terengganu in fulfilment of the requirement for the degree of Doctor of Philosophy

THE ROLE OF VOLUNTARY DISCLOSURE, EARNINGS QUALITY AND INFORMATION ASYMMETRY ON THE COST OF CAPITAL

MUSTAFA YUOSEF MUSTAFA SAA'DEH

2018

Main supervisor : Nor Raihan Mohamad, PhD

Co-supervisor : Associate Professor Hafiza Aishah Bt. Hashim, PhD

School : School of Maritime Business and Management

The cost of capital is a critical issue for stakeholders in companies such as management, investors and creditors, because companies with a low cost of capital are seen as less risky. In addition, when there is more information available about a company, the company's stock usually become more liquid. Stock liquidity is central to the efficient functioning of trade in financial markets and is determined in part by the extent of information asymmetry among traders. To further explore how the cost of capital can be decreased, this study investigate the following relationship; a) the mediation effect of information asymmetry on the relationship between voluntary disclosure and cost of capital, b) the mediation effect of information asymmetry on the relationship between earnings quality and cost of capital. c) The mediation effect of voluntary disclosure on the relationship between earnings quality and the cost of capital. d) the simultaneous relationship between earnings quality and voluntary disclosure. This study employs panel data analysis to an initial sample of 72 listed companies (333 company/year observations) in the first market of the Amman Stock Exchange (ASE) covering a 10-year period ending in the year 2015. The empirical results of this study show that information asymmetry does not mediate the relationship between voluntary disclosure and the cost of capital or between earnings quality and the cost of capital. Low voluntary disclosure, low earnings quality and the practice of earnings management by Jordanian companies are the main factors that are identified as being behind the insignificant mediation effect of information

asymmetry in this study. The result provides evidence that there is a mediation effect of voluntary disclosure on the relationship between earnings quality and the cost of capital. Therefore, the result supports the assumption that earnings quality is a determinant of voluntary disclosure and due to a complementary relationship between the two variables. This result is also indicative of the weak regulations on voluntary disclosure and quality reporting in emerging countries, which in turn implies that the regulations and the extent of voluntary disclosure are not in line with each other.

Abstrak tesis yang dikemukakan kepada Senat Universiti Malaysia Terengganu sebagai memenuhi keperluan untuk Ijazah Doktor Falsafah

**PERANAN PENDEDAHAN SUKARELA, KUALITI PENDAPATAN DAN
MAKLUMAT ASIMETRI TERHADAP KOS MODAL**

MUSTAFA YUOSEF MUSTAFA SAA'DEH

2018

Penyelia Utama : Nor Raihan Mohamad, PhD

Penyelia Bersama : Profesor Madya Hafiza Aishah Bt. Hashim, PhD

Pusat Pengajian : Pusat Pengajian Perniagaan dan Pengurusan Maritim

Kos modal merupakan isu yang kritikal bagi pemegang taruh dalam syarikat seperti pihak pengurusan, pelabur dan pemiutang kerana syarikat yang mempunyai kos modal yang rendah adalah dilihat sebagai kurang berisiko. Di samping itu, apabila terdapat lebih banyak maklumat yang tersedia mengenai syarikat, saham syarikat biasanya menjadi lebih cair. Kecairan saham adalah pusat kepada fungsi perdagangan yang cekap dalam pasaran kewangan dan ditentukan sebahagiannya dengan tahap asimetri maklumat di kalangan peniaga. Untuk meneroka lagi bagaimana kos modal dapat dikurangkan, kajian ini menyiasat hubungan berikut; a) kesan pengantaraan asimetri maklumat ke atas hubungan antara pendedahan sukarela dan kos modal, b) kesan pengantaraan asimetri maklumat ke atas hubungan antara kualiti pendapatan dan kos modal. c) Kesan pengantaraan pendedahan sukarela ke atas hubungan antara kualiti pendapatan dan kos modal. d) hubungan serentak antara kualiti pendapatan dan pendedahan sukarela. Kajian ini menggunakan analisis data panel untuk sampel awal 72 syarikat tersenarai (333 syarikat / tahun pemerhatian) di pasaran pertama Bursa Saham Amman (ASE) yang meliputi tempoh 10 tahun yang berakhir pada tahun 2015. Keputusan empirikal kajian ini menunjukkan bahawa asimetri maklumat tidak menjadi pengantara di antara hubungan pendedahan sukarela dan kos modal atau di antara kualiti pendapatan dan kos modal. Pendedahan sukarela yang rendah, kualiti pendapatan yang rendah dan amalan pengurusan pendapatan oleh syarikat-syarikat di Jordan

adalah faktor utama yang dikenal pasti di sebalik kesan pengantaraan tidak ketara ke atas asimetri maklumat dalam kajian ini. Keputusan kajian juga memberikan bukti bahawa terdapat kesan pengantaraan pendedahan sukarela ke atas hubungan di antara kualiti pendapatan dan kos modal. Oleh itu, keputusan kajian menyokong andaian bahawa kualiti pendapatan adalah penentu pendedahan sukarela dan disebabkan oleh hubungan pelengkap antara kedua-dua pembolehubah. Keputusan ini juga menunjukkan kelemahan peraturan-peraturan ke atas pendedahan sukarela dan pelaporan kualiti di negara-negara membangun, yang seterusnya menunjukkan bahawa peraturan-peraturan dan tahap pendedahan sukarela adalah tidak selaras antara satu sama lain.