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TRANSPARENCY INDEX AS A PREFACE TO SUPPORT FINANCIAL REPORTS TRANSPARENCY AND TO INCREASE SHAREHOLDER PROTECTION LEVEL

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ABSTRACT: *Purpose: The study aims to display negative effects on users of financial reports because of the lack of level of financial reports transparency, which makes it imperative to support the level of transparency of financial reports through organizing Voluntary disclosure using a proposed Transparency Index in order to meet the needs of financial reports users from information. The study also deals with trying to determine the nature of relationship between the level of transparency of the financial report and the financial performance and the level of shareholder protection in the Egyptian Exchange.Methodology: To verify the validity of the study hypotheses, the we conducted the Experimental Study through applying it to the Egyptian Exchange Index companies EGX50 after excluding the Financial Institutions through examining the financial statements, the attached Notes, the Board of Directors report, the governance report and the sustainability report for the EGX50 index companies for a period of three years 2016, 2017, 2018.Practical Results: The study sample presented in the forty-one companies listed in the Egyptian Exchange EGX50 index after excluding financial institutions from the index's companies. The Experimental Study examined the financial statements, the attached Notes, the Board of Directors report, the governance report and the sustainability report for a period of three years 2016, 2017, 2018. After examination it was found that the average level of the Transparency Index in the financial reports for the whole years of study reaches 62.2%, which is a low rate indicating that the EGX50 index's companies represent low transparency companies. In addition, it was found that the average level of the shareholder protection index in the EGX50 index companies reaches 58%. The foregoing confirms the need to support both the level of transparency and the level of shareholder protection through the application of the proposed Transparency Index. it has been concluded that the Transparency Index has a meaningful impact on both Tobin's Q (financial performance) (the relationship between them is positive) and also on the stockholders' protection Index (SPI) (the relationship between them is positive). Authenticity/ Value: The study deals with one of the most important study issues related to measure transparency level of financial reports in the Egyptian Exchange and determines the impact of supporting transparency level on financial performance as well as on supporting protection level of shareholders, The research also extends to suggest transparency index that* *allows providing most of information needs of users of financial reports according to the aforementioned. In many studies, the importance of research becomes evident In the context of the limited accounting research related to assessing the level of transparency of financial reports at Egyptian Exchange and indicating the positive effects on both the financial performance and the levels of shareholder protection resulting from supporting the level of transparency of financial reports, this is what the authors believe can represent a contribution to the debate about levels of transparency and shareholder protection in the Egyptian Exchange.*

KEYWORDS: voluntary disclosure, transparency, transparency index, financial performance, stockholders' protection.

INTRODUCTION

The main objective of financial reports is to provide high-quality information to assist stakeholders in making investment or credit decisions and other resource allocation decisions, which is positively reflected in the level of efficiency of financial markets ***(Ferdy van Beest, Geert Braam, Suzanne Boelens, 2009),*** The CFA Institute stressed the investment community's need for transparent information to ensure the well-being of millions of investors who depend directly on the information disclosed in financial reports when making decisions to form investment portfolios ***(CFA, 2013)***.

Many accounting studies have included asserting that transparent accounting disclosure gives investors the confidence in the reliability of financial reports, which are a prerequisite for the prosperity of financial markets, and that transparent communication is a major tool for reducing the level of information asymmetry between management and investors, in addition to many other positive effects concerning the investment community ***(Mishari M. Alfaraih, Faisal S. Alanezi,2011) (Lin, Zhiwei, Jiang Yihong, Tang Qingliang, He Xiangjian, 2014).***

The recent global financial crisis has led to a radical shift in the investor's perception of the level of transparency of information contained in financial reports, as the climate of the crisis demonstrated the low level of transparency of information contained in financial reports, which has been linked to raising many questions about ways to improve information transparency and how to reduce the sufficiency of companies once the information is disclosed. In light of a low level of transparency, and in the framework of working to limit the effects of the crisis, the Central Bank of England confirmed that the efficiency and effectiveness of disclosure depends on how to transform information into transparent information that meets the needs of investors, which is positively reflected on all stakeholders ***(Xavier Freixas, Christian Laux, 2011)***. Also, Yener confirmed that one of the main causes of the successive financial crises is the lack of conformity of information obtained by users of financial statements with information available to administration, which results from the weakness of the regulatory frameworks governing the disclosure of information, and he stressed that the weaker the efficiency of the Markets, the lesser the information, The greater the transparency, the smaller the market swings ***(Demir Yener, 2006).***

The aforementioned confirmed through that most disclosure theories depend on that the demand for information arises through Asymmetric information and the conflict about attorney between managers and shareholders, which results in what is known as the information balance between the both categories of conflict, which is also known as traditional disclosure, but this level of the disclosure does not meet the needs of users due to its low level of transparency. Accordingly, the failure to provide a rich information environment that ensures the reduction of negative economic impacts resulting from Asymmetric information (***Luminita Enaxhe, Khaled Hussainey, 2020)***, In the same context, ICAEW confirmed that the objective of the current disclosure model is to support the ability of the governance model to achieve its objectives by achieving a balance of interests between management and investors rather than seeking transparency as a major requirement for investors ***(ICAEW, Dec. 2013)***.

In confirmation of the foregoing, many studies have shown the possibility of treating the problem of Asymmetric information by improving the level of transparency of financial reports by relying on the Effective Signaling approach that allows users to obtain the necessary information to overcome the defects of low valuation of the share prices of companies that do not disclose what is needed. Users' information, and optional disclosure is one of the most important tools for applying the effective signals approach, which is the information that companies provide to the users of their financial reports, other than what the company is required to provide through standards or regulatory attorneys, and many companies have tended to provide voluntarily disclosed information due to its role in supporting the level of transparency of Financial Reports, which have many positive effects, the most important of which is reducing the gap between the market and book values of the company arising from deficiencies with the information provided to users ***(Christine Reitmaier, Wolfgang Schultze, 2017) (Rashid Zaman, Muhammad Arslan, Muhammad Siddiaui, 2015),*** and thus it has become information voluntary disclosure is of deep user interest due to its role in support of the level of transparency of financial reports and reducing the level of Asymmetric information, however, the increasing demands to provide information on the voluntary disclosure have been associated with a lot of criticism of the information provided within it due to the information disclosed voluntarily with the following ***(ICAEW, 2013) (Omaima Hassan, Claire Marston, 2019):***

1. **Self- Government**: Because of the absence of controls governing the issuance of professional judgments related to the available information within the voluntary disclosure.
2. **Bias**: Through the presence of a large amount of bias in the disclosed information.
3. **Opportunism**: Directors tend to provide information within the voluntary disclosure It is linked to their receiving of benefits and compensation.

The priority of the need to support of transparency level of financial reports in the context of many current discussions at the global level on the term of Transparency, especially with the succession of financial crises since the beginning of the new millennium and the associated low confidence in financial reports as a reliable source of information when making decisions. Most of these discussions have resulted concerning the transparency of financial reports as a high value in the business world due to its positive effects on the performance of companies (***Zinatul Iffah Binti Abdullah, Mahmoud Khalid Almsafir, Ayman Abdal-Majeed Al-Smadi, 2015)***, the significant of transparency in financial reports is evident through Realizing that the countries most affected by the 1997 Asian Financial Crisis are the countries where the average level of financial reporting transparency is low, while the countries least affected by the crisis are the countries whose financial reports have an average level of transparency above the average ***(Gerard Capiro JR, June. 1998).*** In the same respect, transparency plays an important role in preventing Financial Crises, which is confirmed by the tendency of many capital to flee from less to more transparent countries. ***(R. Gaston Gelos, Shang Jin-Wei, Oct. 2002)***, On the other hand, the importance of supporting and organizing the level of transparency of the Financial Report as follows:

1. Both disclosure and transparency are key elements in building a strong governance framework. In addition, both of them provide a basis for all shareholders to make informed decisions. Therefore, the adoption of financial markets for the governance policy requires relying on a strong framework for disclosure and transparency ***(Benjamin Fung, 2014)***.
2. The low-level transparency of financial reports is considered one of the most important causes of the recent global financial crisis, which led to a decrease in the number of American stockholders to 14%, and the percentage before the financial crisis was 53%, whether through Direct Ownership or through Investment Funds or Pension Funds. Accordingly, claims increased to support the level of transparency of financial reports, through the American Securities and Exchange Commission (SEC), which called for the introduction of many improvements aimed at supporting the level of transparency of the financial report in order to ensure that all the information that users need is provided so that they can determine whether the stock is trading at a fair price or not (***SEC, Keith F. Higgins, Oct. 3, 2014).***
3. The need to restore user confidence after the financial crises has led to an increase in the interest of many standard-setters and professional organizations to support the level of transparency of the financial report by working to create a transparent information environment that has a decisive role in reducing the level of risks associated with decision-making, in addition to the multiplicity of positive effects associated with support The level of transparency of financial reports, including the contribution to supporting the value of the company through the consequent transparency of reducing the cost of capital and increasing the level of reliability of the financial report. The above positive effects have led many countries to issue laws or regulations to regulate the requirements for transparency of the financial report ***(Shaban Mohammdi, Behard Nezhad, Dec. 2015).***
4. The term of transparency represents a dilemma not only for the investor, but also for businesspersons, preparers, and auditors, because this term is still ambiguous. Also, investors need to have specific requirements governing the transparency of the financial report in order to ensure that the provided reports meet these requirements and are not manipulated to serve the

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interests of specific groups ***(Zinatul Iffah Binti Abdullah, Mahmoud Khalid Almsafir, Ayman Abdal-Majeed Al-Smadi, 2015).***

5. The recommendations of the G20 included the demand to provide effective access to information for all market participants. In addition, it was also emphasized that the priority of supporting the level of transparency of the financial report requires the need to intervene to organize it in order to achieve financial markets discipline, which confirms the lack of confidence of the regulators authorities in restoring the markets to their balance without regulatory interference***(Xavier Freixas, Christian Laux, 2011)***.

In view of this, the research problem is determined in the low level of transparency of financial reports, and thus the need to support the level of transparency of financial reports by regulating voluntary disclosure practices. This is what We propose to be completed through designing a Transparency Index aiming to meet the needs of users of financial reports from the information that failure to provide leads to lack of transparency of financial reports. The research problem extends trying to determine the nature of the relationship between the level of transparency of the financial report and both the financial performance and the level of stockholders' protection of in companies of the Egyptian Exchange Index EGX50. Then, the importance of testing the relationship between the transparency of the financial report and the financial performance of companies in the Egyptian Exchange due to the test this relationship through many studies in developed countries, while only a limited number of studies are available to test such relationship with developing countries. In addition, We did not agree on a specific direction for this study, as there are those who see that good transparent disclosure affects positively the performance and the value of the company. the explanation for that is top-performing companies often implement transparency mechanisms to ensure information on their outstanding performance ***(Li-Chi uchi, 2009).*** The same was confirmed by the Adiloglu, Vuran study, which concluded that there is a strong positive relationship between the Transparency Index as one of the requirements of a strong governance system and the Indexes of the financial performance of the unit. ***(Burcu Adiloğlu, Bengü Vuran, 2012)***, On the other hand, there are other studies that have found that there is no correlation between financial performance and the level of transparency of disclosure ***(Guler Aras, Aslı Aybars, Ozlem Kutlu, March 2010) (Omaima AG Hassan, Peter Romilly, Gianluigi) Giorgioni, David Power, 2009).*** The aforementioned emphasizes the need to test the relationship between the level of transparency of the financial report and the financial performance of companies in the Egyptian Exchange.

LITERATURE REVIEW:

Importance of supporting the level of Transparency of Financial Reports:

Standard & Poors dealt with display that the lack of confidence in corporate management was the main motivation for applying governance mechanisms in order to restore this confidence. The study also made clear that the need to provide disclosure that is more comprehensive requires formulating an index that governs measuring the Transparency of the information presented.

Vol.9, No. 1, pp.23-84, 2021

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Accordingly, Standard & Poor's provided the Disclosure and Transparency & Disclosure Index (T&D Index): This Index consists of ninety-eight components divided into three sections as follows **(Standard & Poor’s, Sandeep A. Patel, George Dallas, 2002):**

- **First Section**: deals with information about the ownership structure and stockholders’ rights. It consists of twenty-eight components.
- **Second Section**: deals with information on Financial Transparency and disclosure of information. It consists of thirty-five components.
- **Third Section**: deals with information about the board of directors' structure and procedures, and consists of thirty-five components.

Also Spasic, Mihajlov dealt with explaining the role of financial report transparency in adding competitive advantages to companies in a way that helps them attract funding sources from foreign investors due to the consequences of adhering to the requirements of transparency of protect the interests of investors and provide them with appropriate information that enables them to protect their investments. The study also confirmed that protecting the interests of investors is one of the most important requirements of the EU Transparency Directive, whose implementation requires the provision of high-quality information, in order to ensure that the information needs of investors are met significantly **(Dejan Spasic, Ksenija Denčić-Mihajlov, 2014),** Fung showed that Transparency is currently taking a new dimension, represented by considering that Transparency is a tool of governance for forming expectations related to the company's future performance, which is related to the fact that companies' reports are not limited to financial reports, but that a wide range of additional information has been attached thereof to ensure that investors are provided with a high amount of transparent information. Such information really helps them when making their decisions. Finally, the study presented some component that the management must adhere to ensure a high-level transparency of the financial report is achieved, these components as follows ***(Benjamin Fung, 2014)***:

- **Honesty**: through providing information that describe the circumstances accurately.
- **Completeness**: through providing sufficient financial and non-financial information to make informed decisions.
- **Convenient Time**: through providing information to users at a time that allows them to make quick decisions.
- **Significant**: through providing information that has a significant impact on the decisions taken.
- **Accessibility**: through easy access to information, and the availability of the information to users at low cost.

Abdullah, Almsafir, Al-Samdi showed that the governance practices aiming to protect the rights of stockholders are closely related to the level of Transparency of the companies' annual reports, which led to the consideration of governance and transparency of the financial report as an umbrella to Shareholders. In addition, the study also addressed the attempt to determine the level

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of Transparency of financial reports in Malaysia through a survey of fifty-two Malaysian companies to determine the clarity and Transparency of the financial report. Also, the study indicated that the investor debate on the issue of transparency explained that it is a Two-Way Mirror, which means that Transparency can only be achieved by providing the investor's ability to see inside and outside the unit. However, the study confirmed the futility of relying on achieving financial report Transparency on the disclosures provided by companies, as companies may decide not to include information that investors consider essential. Accordingly, organizing specific requirements for transparency is obligatory, especially in accordance with many studies confirmed their vital role in improving Company performance and help make more accurate decisions ***(Zinatul Iffah Binti Abdullah, Mahmoud Khalid Almsafir, Ayman Abdal-Majeed Al-Smadi,2015), The foregoing is supported by*** Mohammad, Nezhad who confirmed that the higher level of Transparency has many positive implications, represented through decreasing the level of risk associated with the decisions made by users of financial reports. In addition, a higher level of reliability of the financial report in addition to the positive impact on liquidity and finally the lower cost of ownership. The study also confirmed that the Transparency of the financial report represents one of the most important factors affecting the company's attractiveness for investment. Therefore, companies that fail to meet the requirements of Transparency face a loss of investor confidence ***(Shahan Mohammadi, Behrad Nezhad, 2015).***

Maggio, Pagano cleared of the role of disclosure and Transparency in reducing the possibility of negative choice (wrong allocation of resources due to lack of Transparency of information), which requires companies to adhere to transparent disclosure. Also, the study emphasized that the transparency of the financial report will only be achieved by providing the ability for investors to integrate disclosed information attached by their decision models. In addition, the study dealt with another aspect of Transparency, which is the possibility that the investor will not be able to deal with the large amount of information, then, the persistence of the problem of Asymmetric information, not between management and investors, but among major investors who can process the large amount of information and small investors. Those who suffer in light of the large amount of information, which requires the need for a certain amount of budget to ensure the provision of the volume of information that small investors can process and benefit from ***(Marco Di Maggio, Marco Pagano, February 2018)***.

To emphasize importance of transparency organizing Goldstein and Yang showed that financial collapses and crises are often followed by regulation and organization. the focus of these efforts is often disclosure and support for the Transparency of financial reports. The aforementioned was happened upon issuance of the Sarbanes–Oxley Cox Act 2002, as well as the Dodd Frank Act 2010 in the United States of America. Both acts included multiple aspects to regulate disclosure aiming to Maintain the welfare of investors in the financial markets, especially with the majority of studies agreeing that the welfare of investors remains dependent on the Transparency of the information provided to them. The study also confirmed that the implications of the transparency of disclosure were dealt by academic studies with completely mystery and often raises a degree

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of contradiction. On the one hand, money and liquidity levels improve and on the other hand, there may be problems resulting from extreme disclosure. Accordingly, the importance of continuing accounting research aimed at regulating the Transparency of disclosure, in addition to identifying appropriate mechanisms to treat the implications of enhance Transparency such as extreme disclosure ***(Itay Goldstein, Liyan Yang, 2017)***.

Finally Jedrzejka cleared that enhancing the level of Transparency is done through a variety of methods, the most common of which is the trend towards merging non-financial information with annual disclosures, aiming to create a more comprehensive vision of the company's performance and showing the implication of this performance on all scopes of work for all shareholders. Finally, the study urged companies to provide a transparent and high-quality disclosure, necessarily, that includes information on the strategies used and future expectations in addition to environmental information and not neglecting the continuous report on sustainability **(*Dariusz Jedrzejka,2017)***.

Relationship between financial reports Transparency and financial performance:

Chiu Chi study examined the relationship between Transparency and Financial Performance of six hundred and forty-one Taiwanese companies. the study relied on measuring transparency (independent variable) on the index developed by Taiwan in 2003 to classify Taiwan companies in terms of the level of Transparency and Disclosure T&D, as well as measuring financial performance (the dependent variable) by using the Tobin's Q index. the study found a positive correlation between the financial performance index and the T&D transparency and disclosure index. Finally, the study explained that correlation by confirming that the higher level of T&D is based on strong governance practices that lead to good financial performance ***(Li-Chiu Chi,2009),*** also Xin, Xiao examined the relationship between the level of Information Transparency and the Financial Performance of five hundred and thirty-one family companies registered in the Chinese **Schenzen** Stock Exchange during the period from 2007 to 2009. The level of transparency (independent variable) was assessed on a four-level scale as follows: Excellent (4), Good (3), Average (2), non-transparent (1), based on the Self-Assessment of the financial reports, and a variety of indicators related to profitability, operating performance, and profit per stock have been relied upon to express the evaluation of the company's performance (the dependent variable). A positive relationship between the transparency of information and the variables expressing the financial performance of the unit. Finally, the study confirmed that enhancing information transparency as one of the pillars of governance in family companies will lead to improving their financial performance ***(Jinguo Xin, Chen Xiao, 2011)***.

To emphasize positive relationship between the level of transparency and financial performance Adiloglu, Vuran dealt with determining the level of transparency for fifty-seven companies listed on the Istanbul Stock Exchange Index in 2010, based on a Transparency Index consisting of twenty-seven components (self-prepared). The study divided the levels of transparency of the financial report into three levels as follows: high transparent, transparent, less transparent. Then,

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determining the relationship between the three levels of transparency and a number of variables that express the financial performance of the unit in addition to the governance index that expresses the company's application of governance mechanisms. Finally, the study found a strong positive relationship between the level of transparency and each of Return on Assets (ROA) rate, debt ratio, long-term debt ratio, Governance Index ***(Burcu Adiloglu, Bengu Vuran, 2012),*** In same context, Enache, Hussainey examined joint effect of disclosure and governance on financial performance by applying it to a sample representing 10% of the pharmaceutical companies listed on the American Stock Exchange from 2005 to 2013, with a total of six hundred and forty-seven experiments. The level of Transparency was measured as an independent variable based on an index prepared by the two researchers, consisting of five groups. the level of governance was measured as an independent variable through three indicators: the percentage of independent directors in the board of directors, the size of the board of directors, the extent of duplication of the CEO's work, while the dependent variable represented the financial performance of the unit measured using the Tobin's Q index. The study found through regression analysis, the effect of transparent disclosure on financial performance is similar to the effect of governance, which confirms the possibility of companies substituting (disclosure - governance)***(Luminita Enache, Khaled Hussainey, 2020)***.

On the contrary from the above Shahwan examined and assessed the level of governance practices of eighty-six companies registered in the Egyptian Exchange. Also, the study examined the relationship between the independent variable represented by the governance variables, which are disclosure and transparency, the board of directors' structure, stockholders' rights and relations, the Equity and control structure, and the dependent variable represented in financial performance measured by using Tobin's Q. The study found results do not support the positive relationship between governance practices and financial performance ***(Tamer Mohamed Shahwan, 2015)***.

The relationship between shareholders protection and financial reports transparency:

The protection of stockholders' equity is the main goal of governance practices, which considers transparency one of its most important mechanisms, which confirms the strong link between the protection of stockholders' equity and the transparency of the financial report. Effective on the interests of stockholders, and on the other hand, the lack of clarity or ambiguity in financial markets leads to many destructive effects for the interests of stockholders ***(Shaban Mohammadi, Behrad Nezhad,2015)***, Success in protecting the stockholders' equity requires seeking to regain their confidence, which is a difficult task in light of the decline in that confidence in business all over the world. However, many studies have confirmed that one of the most important mechanisms to restore confidence and protect stockholders' equity is greater financial reporting transparency ***(Suman Banerjee, Ronald Masulis Sarmistha Pal, 2015)***.

The transparent accounting system helps the companies to be more stable during periods of financial crises, which was evident during the recent financial crisis, as more transparent financial reports played a mitigating role for the effects of the crisis on investors by providing them with clear and reliable information, while company reports Lack of transparency was one of the most important causes of the erosion of investor confidence, especially with the tendency of human behavior of managers in times of crisis to act unethically through profit management practices to conceal the source of wealth, and the foregoing confirms that investors are more sensitive to the extent of transparency of the financial report during crises ***(Lin, Zhiwei, Jiang Yihong, Tang Qingliang, He Xiangjian, 2014)***, and in the same regard, one of the studies examined and evaluated the relationship between the level of transparency using the CIFIR Institution transparency index and the level of stockholders protection based on the World Bank's stockholders protection index by applying to sixteen countries, it was found that an increase in the level of transparency is associated with a decrease in the rate of asymmetric information as well as improved market performance in addition to a higher level of stockholders protection ***(Benjamas Jirasakuldech, Donna M. Dudney, Thomas S. Zorn, John M. Geppert, Sep. 17. 2011)***.

Optional disclosure as input to support transparency of financial reports:

The optional disclosure represents the information provided by the company other than what it is obligated to provide in terms of mandatory disclosure in accordance with the standards and requirements of the regulatory authorities. The optional disclosure allows the transfer of additional information about the company, but the provision of this type of disclosure often depends on the decision of the management of the company that performs the cost-benefit analysis and thus the optional disclosure is only provided if its benefits outweigh its costs ***(Christine Reitmaier, Wolfgang Schultze, 2017)***, and the companies' provision of optional disclosure has been linked to many academic and professional studies with the aim of verifying or confirming the effects resulting from the optional disclosure of reducing the level of asymmetry. With the information between management and users and thus increasing users' ability to make more informed decisions, despite these positive effects, there are many calls for more attention regarding the quality of information provided within the optional disclosure ***(Christian Leuz, Robert E. Verrecchia, 2000)***.

Many studies have examined the relationship between the optional disclosed information and the cost of capital, and the majority of these studies have reached a negative impact of the quality of the optional disclosed information on the cost of capital. The risk allowance demanded by investors decreases, which is one of the most important factors attracting investments ***(Hubert de La Bruslerie, Heger Gabteni, Feb, 2012)***, to emphasize the importance of the optional disclosure information, the CFA study confirmed that economic theory has provided a lot of evidence that increased savings the information will not only increase the stock market liquidity, but it also supports the investors 'ability to estimate the risks associated with future returns ***(CFA, 2013)***, and we believes that the positive effects achieved by companies' provision of the optional disclosure information can be summarized below (***Stephen R. Foerster, Stephen G. Sapp, Yaqi Shi, Jan 14, 2013) (Edwige Cheynel, 2013)***:

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1- The lower cost of capital at higher rates than companies that do not provide these disclosures, in addition to the positive impact on the company's liquidity level.
2- The positive impact on the value of the company as well as on the expectations of future returns, which is achieved by meeting users' needs for a continuous flow of information and thus increasing their ability to anticipate future prospects.
3- Increasing the quality of the financial report, which leads to lower the rates of volatility in share prices and returns.
4- Increasing the ability to attract investments in connection with creating an effective and favorable disclosure environment for foreign direct investments.
5- Supporting investors' awareness of the risks surrounding investments and thus increasing the ability to formulate more accurate future expectations.

Based on the above we believe that the main feature of the optional disclosure is in the users' awareness of the possibility of obtaining additional information that provides them with a more informative information environment, and the provision of this information has resulted in an increase in the ability to understand the financial reports, which was the motivation for the continued requests to provide this information, and these claims have been linked to the emergence of Many proposed models for organizing optional disclosure information to ensure a high level of transparency of this information, <u>but we believe that it should not be overcome that the world-wide financial crisis of 2008 and its repercussions that the business community is still suffering from until now occurred in light of the widespread use of companies to multiple models to provide information on voluntary disclosure,</u> In other words, the voluntary disclosure practices did not succeed in performing their role not in preventing crises but by warning of the possibility of their occurrence, which could have led to a reduction in many of the panic cases that occurred and the transmission of these cases across countries of the world and the resulting financial collapses and the loss of a lot of savings, consequently, the importance of organizing voluntary disclosure information is evident by preparing a transparency index.

Previous studies showed the need to support the level of transparency of financial reports because of its positive impacts on financial performance, shareholders protection. However, there was no study (According to authors' review) dealing with how to support the level of transparency of financial reports by designing transparency Index as an entry point to regulate voluntary disclosure practices, this study deals with one of the most important study issues related to measure transparency level of financial reports in the Egyptian Exchange and determines the impact of supporting transparency level on financial performance as well as on supporting protection level of shareholders, The study also extends to suggest transparency index that allows providing most of information needs of users of financial reports according to the aforementioned. In many studies, this is what the authors believe can represent a contribution to the debate about levels of transparency and shareholder protection in the Egyptian Exchange.

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Hypotheses Development:

Role of transparency in financial reporting

Several studies have dealt with the distinction between the terms disclosure and transparency, where some see that disclosure is an act that includes providing information to users, and the main characteristics of the quality of disclosure are timing, reliability, and comprehensiveness of information, while the transparency has many definitions, there are those who see that it arises when the information that is disclosed is clear in addition to being easily accessible in the markets ***(Clare Roberts, Pauline Weetman, Paul Gordon, 2005)***, while some see that transparency is the expanded availability of appropriate and reliable information on performance, financial position, investment opportunities, realizable value and risks ***(Burcu Adiloglu, Nevzat Gungor, Goksel Yucel, 2018)***, and it is clear from the previous definitions that transparency is the term opposite to financial corruption, and there is no doubt that financial corruption was the means through which many of the companies that went bankrupt concealed the reality of the situation and the poor financial performance, which led to huge losses on individuals, investors, workers and society. Consequently, securing access to appropriate and reliable information to investors and lenders will contribute to increasing the efficiency and activity of the financial market, good allocation of resources and making the right investment and credit decisions, as well as taking corrective measures in the event of a poor financial situation or performance ***(Tariq Abdel Aal Hammad, 2006),*** based on the foregoing, we believe that transparency can be defined as meaning: providing the users with appropriate and reliable information that is not provided within the mandatory disclosure, provided that this information is easy to use, clear and understandable in the context of effective access to information without any difficulties.

Lack of transparency in financial reports:

The main failure leading to the world-wide financial crisis was the lack of transparent financial disclosure and insufficient governance practices, which led to continued pressures on companies to provide transparent and timely information as an input to support and restore confidence in financial markets ***(Benjamin Fung, 2014)***, and in connection with the above, Glover emphasized that the additional information disclosed in addition to the mandatory disclosure is an essential pillar to support the level of transparency of financial reports. Glover also stressed that the provision of financial statements only will mean the failure of companies to perform the Duty of Disclosure which means that those who have the right to know must know and this What is known as transparency, which is currently a major requirement for users and does not represent any luxury, as not having it will have tragic consequences, and to avoid these effects, the preparers must adhere to the basic rule of providing transparent disclosure which does not mislead users ***(Jonathan C. Glover, 2012)***.

To emphasize the need to support the financial report level of transparency, Russel Picot, HSBC Chief Financial Officer, and Stephen Haddrill, Executive Director of the Financial Reporting Council (FRC) in Britain, emphasized the need to add further improvements to financial reporting

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in order to support its level of transparency. They also made clear that the required transparency is not only in the financial report, but rather in the financial system as a whole, in a way that allows investors to understand how companies process information and what are the administrative controls governing the decision to disclose information, and they emphasized that in today's world it is imperative to provide the opportunity for markets to play their role in accountability of management, which is related to its achievement by supporting the level of transparency of the financial report as one of the most important aspects of governance, which is expected to increase focus over time ***(KPMG, 2013***).

Based on the above arguments, we hypothesise that:

H1: *The level of transparency of financial reporting by companies listed in the Egyptian Capital Market Index (EGX50) is a driving force for the implementation of the proposed transparency index*.

Impact of supporting transparency on financial performance:

Transparent accounting information represents a major input for reducing the level of risk surrounding investments and thus lowering the required rate of return for investment in a company, which represents a strong incentive to improve performance with the flow of investments to the company, and in addition to the above, what is related to the transparency of information in terms of supporting the ability of stockholders to hold the management accountable, which is often linked to positive changes in managers' decisions and thus a change in the distribution of future cash flows in favor of stockholders ***(Luminita Enache, Khaled Hussainey, 2020)***, Several studies have examined the relationship between the level of transparency and financial performance, and many studies have found a positive relationship between the level of transparency and improved financial performance ***(Bebczuk. R., 2007) (Saeed Pahlevan Sharif, Ming Ming Lai, 2015) (Qiuy. Shaukat, A. Tharyan R. 2016)***, also Zaman, Arslan,Siddiaui study found that financial performance is positively correlated with the levels of transparency reached through the Index (self-prepared) with regard to disclosure on the board of directors and financial transparency. While the correlation was negative with regard to disclosure of the Equity structure ***(Rashid Zaman, Muhammad Arslan, Muhammad Ayub Siddiqui, 2015)***.

Also Sharif and Lai study included an examination of the relationship between disclosure practices and both financial performance and bankruptcy risks by applying to ninety-five companies listed on the Malaysian Stock Exchange in 2009. With regard to the study variables, the independent variable may be represented in the transparency and disclosure index provided in Bebczuk study, 2007. Such index consists of twenty-two components. With regard to the dependent variable represented by financial performance, Return on Assets (ROA), Tobin's Q, and Return on Equity (ROE), operating income ratio were used, and the study found positive effects of disclosure practices on the financial performance of the unit ***(Saeed Pahlevan Sharif, Ming Ming Lai, 2015)***, finally, Adiloglu1, Gungor, and Yucel found that the level of

Transparency has a statistically significant impact on four variables of financial performance which are the ratio of operating cash flow to net profit, debt to equity ratio, governance index, availability of sustainability report ***(Burcu Adiloglu, Nevzat Gungor, Goksel Yucel, 2018)***.

On the other hand, other studies have found that there is no correlation between the level of transparency and financial performance ***(Street, L., Gray, J., 2002) (Guler Aras, Aslı Aybars, Ozlem Kutlu, Op.Cit) (Omaima AG Hassan, Peter Romilly, Gianluigi Giorgioni, David Power, 2009)***, and some studies have found a negative relationship between the level of disclosure and financial performance ***(Rahman A., Zain.,M.,Al-Haj,Y., 2011)***.

In the context of this inconsistency with studies that dealt with the relationship between the level of transparency of financial reports and financial performance, it becomes clear the need to study the nature of this relationship with the Egyptian Exchange, which is dealt with in the second part of the experimental study, noting that the first part of the experimental study of the research deals with determining the level of transparency of financial reports in the Egyptian capital market as one Emerging markets (as an input to determine the relationship between the level of transparency of financial reports and financial performance).

Based on the above arguments, we hypothesise that:

H2: ***There is a statistically significant relationship between the proposed index of transparency and the financial performance of the Egyptian capital market index (EGX50) companies.***

Impact of supporting financial reports transparency on shareholders protection:

The importance of the link between the transparency of the financial report and the protection of stockholders' equity is also evident in the light of the survey conducted by the Mickinsey Institution, where it asked investors to determine their priorities towards governance practices. Responses were received from two hundred and one investors representing thirty-one countries and it was concluded that the first level of investor interest is accounting disclosure at a rate of 52%, followed by protection of stockholders' equity at 47%, and the study emphasized the link between the two variables as the protection of stockholders' equity will not be achieved without an accounting disclosure is characterized by a high degree of transparency ***(Mickinsey, July. 2002)***, and in the same regard, the study of Aksu and Kosedag showed that the agency problem between management and investors revolves around the following shortcomings ***(Mine H. Aksu, Arman Kosedag, 2006)***:

- Minority stockholders' weak equity.
- Insufficient and inconsistent disclosure policies.
- Lack of a culture of optional disclosure.

The study confirmed that the previous shortcomings lead to enhancing corruption and the widespread use of fraudulent practices, which highlights the pivotal role of governance

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Vol.9, No. 1, pp.23-84, 2021
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mechanisms, the most important of which is transparency and disclosure to protect the stockholders' equity and reduce the shortcomings related to the agency problem. Finally, many studies have confirmed that it achieves the high level of protection for investors resulting from The high level of transparency of a financial report leads to the accuracy of analysts' expectations, especially in public law countries compared to civil law countries, given that public law countries are more effective in applying governance mechanisms and thus reduce the level of uncertainty surrounding analysts, and thus their task is easier when predicting future flows ***(Christopher von Koch, Ola Nilsson, Sven-Olof Yrjö Collin,2015) (Ran Barniv, Mark J. Myring, Wayne B. Thomas, 2005) (Jerry Sun,2009).***

We consider that positive impacts of supporting financial reports transparency on shareholders protection are evident through reorganization that lack of transparency was one of the most important causes of the world-wide financial crisis, the users' demands have tended towards requesting more transparent information in order to get rid of the problems affecting their interests throughout recent decades, and this request came as instinctive response that relied on the fact that disclosure and transparency were the main solution for the operations of reorganizing the financial markets following the financial crisis ***(ICAEW, 2013)***, Many studies have dealt with the implications of supporting transparency level of financial reports on shareholders protection, some of these effects. Below: -

A- Help reduce asymmetry of information:

Several studies have indicated that the investor's interest in recent times has shifted to determining the effectiveness of governance practices by evaluating one of its most important mechanisms, which is the transparency of ***disclosure (Burcu Adiloglu, Nevzat Gungor, Goksel Yucel, 2018)***, which led to companies 'tendency to provide more information needs of users and thus reduce the information gap between management and users ***(Saeed Pahlevan Sharif, Ming Ming Lai, 2015)***, we emphasize that the information asymmetry is not limited to the asymmetry between management and investors, but another type is added to it, which is determined by the asymmetry between large and small investors, which results from the inability of small investors to deal with the large amount of information while the big investors - they are they are often investment foundation - they have a superior ability to deal with, prepare and benefit from a large amount of information, and here is one of the most important roles of financial report transparency, which is to create an efficient and safe market by reducing the high level of information asymmetry between small and large investors ***(Marco Di Maggio, Marco Pagano, 2018)***.

B- Reducing the level of complexity of financial reporting:

The increase in the complexity of the financial structures of the institutions in addition to many complex transactions led to negative effects on the financial report, as the financial statements became larger as a result of the desire to clarify the complexity of the business, which was related to the increase in lawsuits that the financial reports have become complex and caused their current

Vol.9, No. 1, pp.23-84, 2021
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situation to confuse users and make it difficult for them to understand what they contain. However, the CFA study on developing disclosure confirmed that the size of the current financial report came as a response to business complexity and not a cause for it, meaning that complexity is the engine of disclosure and does not result from it, The study indicated that over-disclosure is related to complex transactions such as derivatives, assets and liabilities of pension plans and debts Transferable, and the CFA study confirmed that the high level of complexity in financial reporting requires the need to formulate more robust and transparent disclosure requirements to ensure that users' needs are more clearly met ***(CFA, 2013)***.

In connection with the foregoing, we believe that the transparency of information plays an important role in reducing the high levels of complexity in financial reports, which was explained by **Miller's** study, which included that providing the opportunity for small and large investors to access the main facts disclosed in a transparent and clear manner will play an important role in reducing the negative effects of complexity, we agree with the trend reached by the study, which believes that the greatest benefit from transparency will be for small investors because they are unable to pay the high costs associated with processing complex information in the financial report ***(Brian Miller, 2010)***.

C-Supporting management accountability:

In a meeting held by the International Federation of Accountants (IFAC) on 19-20 April 2011 for finance ministers of the twenty largest economies in the world G20, it was emphasized that arrangements should be made to enhance the ability to prepare transparent financial reports, in order to increase the ability of investors to monitor the real economic impacts of what has been taken Decisions and thus increasing their ability to hold management accountable, which will only be achieved through transparent disclosure ***(IFAC, 2012)***, In connection with the above, many governments and central banks around the world have agreed on the importance of transparency of financial reports and the consequent improvement in predictability and forcing company officials to justify and confront the results of their decisions, which in turn leads to more internal discipline, increased management efficiency and the quality of the decision-making process within the company as any decision will not pass without accountability, and therefore transparency and accountability reinforce each other, the former facilitates monitoring management while accountability enhances transparency as the awareness of management that investors follow up on its performance prompts it to explain the reason for the work being done with the highest degree of transparency in order to accurately evaluate the management performance ***(Ghearghe V. Lepadatu, Mironela Pirnau,2009)***.

D-Help make well-informed decisions:

The massive fluctuations in financial markets are associated with multiple instances of user panic, and regulators and standard-setters often deal with these cases by providing reliable and more transparent information to help users make informed decisions. And transparency represents a kind of balance between the shareholders' equity to know and the company's right to privacy and

Vol.9, No. 1, pp.23-84, 2021
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this budget should not reach the financial reports into a state of blackout, which is a situation in which it is difficult to understand the information due to its being unclear and difficult to trust, and the importance of the trend to support the transparency of financial reports is evidenced by what it entails in meeting the investor's needs for information about the risks of investments, how companies manage them and the cost of this management, which leads to an accurate evaluation of the future returns of these investments and thus a more informed investment decision ***(Benjamin Fung, 2014)***.

E-Reducing the cost of capital:

Financial reports with a higher level of transparency are linked to a lower cost of capital, which has been proven by many studies, and among the most important of these studies is a study conducted on three hundred and forty-eight companies from the S&P500 index, which concluded that companies that have higher levels of transparency lower the cost of capital compared to companies with low levels of transparency, the cost of capital is high, and the study showed that the effect of the level of transparency on the cost of capital is achieved through the consequent transparency of reducing agency costs as a result of reducing the level of information asymmetry between management and users, which leads to a reduction in the level of surrounding risks. With investment and thus lower required rate of return on investment in the company ***(CS Agnes Cheng, Denton Collins, Henry He Huang, 2006)***.

Based on the above arguments, we hypothesise that:

H3: ***The Shareholders protection in the companies listed in the Egyptian Stock Exchange Index (EGX30) is considered a motive to support the level of transparency, as it is one of the most important governance mechanisms.***

H4: ***There is a statistically significant relationship between the proposed T.Index and the level of shareholder protection in the Egyptian capital market index EGX50 companies*.**

The proposed Transparency Index to regulate the Voluntary Disclosure Information:

Transparency Index represents a comprehensive list of information in all the means of disclosure represented in the annual or interim reports in addition to the meetings with investors or the governance reports. Therefore, the index is a research tool to measure the level of transparency of the company's disclosures. The beginning was according to what was previously stated in 1961, followed by many the studies of the years 1971- 1973. Up to now, academic studies still include a lot of research on Transparency Indexes, in addition to the Indexes issued by professional institutions to regulate transparency at the local level, We believe that there is a link between the spread of using transparency index approach and trying to remedy the deficiency in accounting literature represented in the difficulty of measuring the quality of disclosure and transparency. Explanation is that the Transparency Index ((as one of the most important methods of measuring the level of Transparency of Disclosure)) represents an important tool to overcome

Vol.9, No. 1, pp.23-84, 2021
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the measurement problem in social sciences and thus provide the opportunity to measure the quality of disclosure and transparency ***(Omaima Hassan, Claire Marston, 2019)***. It should be noted that there are many approaches to measure the quality of disclosure and the level of transparency, such as surveys, content analysis studies, Analysts' expectations, and analysis of management expectations, but the difficulty of applying previous methods to measure the quality of disclosure and determine the level of transparency was the motivation for developing various Indexes to measure the level of transparency in companies' reports as well as to assess the quality of the information disclosed ***(Saeed Pahlevan Sharif, Ming Ming Lai, March, 2015)***.

The importance of regulating optional disclosure through the formulation of a transparency index is evidenced by what CEPS has confirmed that many stock exchanges have adopted the optional disclosure regulation approach, relying on preparing a transparency index to serve as a disclosure system that contains the steps to be followed to ensure that users' needs are met and thus reduce the level of asymmetric information between management and users in order to support the ability to build more informed investment decisions. Building a transparency index also contributes to differentiating between transparent companies and opaque companies, which inevitably affects stock pricing ***(CEPS, 2003)***, In this section, We will explain the importance of building a transparency index by monitoring the expected role of it, and models for transparency and disclosure indicators issued by global stock exchanges or professional institutions or through the efforts of researchers are addressed, and finally the components of the proposed transparency index are explained.

The Significance of Developing Transparency Index with the Goal of Supporting the Transparency Level of Financial Statements:

Various studies have discussed the significance of setting an index to support the transparency level of financial statements through observing the positive impacts of developing a transparency index in financial markets. The positive impacts of developing the aforementioned index, as an input to support the transparency level of financial statements, is summarized as follows:

1- Alleviate the negative impacts as a result of the asymmetry of information between the administration and the investors, which led to many negative impacts related to this issue and represented in adverse selection and moral hazard. ***(Chien‐Chi Chu, Kung‐Cheng Ho, Chia‐Chun Lo, Andreas Karathanasopoulos, I‐Ming Jiang, 2019)***
2- The transparency index performs a crucial role in regard to the ability to attract money by observing the transparency level of the company's financial statements and comparing them with other companies. A study conducted by ***Walker*** has confirmed that the required returns on investment in the stocks of the companies that have low transparency levels are higher by up to 50% in relation to the required returns of the companies that have a high transparency level. ***(Walker, M., 1995)***
3- The development of an index to control the transparency level of financial statements lead to providing an appropriate and transparent disclosure. Thus, contributing to the accurate application of good governance practices that aim to protect stockholders, the rights of

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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minorities, and other stakeholders; and therefore, the likelihood of any fraud decreases, and the possibility of administration being held accountable for its decisions is increased. It should be mentioned that the level for decent protection of stockholders' rights (Resulting from the development of a strong transparency index) represents one of the most prominent attraction elements of investments, especially emerging markets that desperately require resources due to the growth rates of its markets that are faster than those of developed countries. ***(Mine Aksu, July 2006) (Yan-Leung Cheung, Ping Jiang, Weiqiang Tan, 2010)***

4- Various studies have affirmed the role of the high level of financial statements transparency in reducing the capital cost, increasing the market value of the company, decreasing the risk of litigation, improving the liquidity levels, and the positive impact of high transparency level on the financial performance of economic units. ***(Maletta MJ, Zhang YM, 2012) (Hsien-Li Lee, Hua Lee, 2015) (Wang SN, Liang H, Gao WT, Aug.3.2015)***

5- The support of the financial statement's transparency led to contributing to regaining the lost trust in financial markets. This role is illustrated through the study of ***CFA*** which clarified that the negative impact for the fall of trust among investors towards financial markets following the financial meltdowns was a decrease in the average daily deals and a decrease in the flow of investments. The study clarified that the method most commonly used globally to regain investors' trust is to work on improving the level of closure transparency and providing reliable information that supports the stockholders' ability to hold the administration accountable thus preventing any attempt to suppress their ***rights (CFA, 2013)***. Therefore, the transparency index has become the main input to regain investors' trust by reducing the possibility of an ***Opaque Financial Report***, which is a report that does not provide the information needed by users on how the company performs its activities and the mechanisms for using resources to achieve returns. ***(Benjamin Fung, 2014).***

6- The effective role of the transparency index in providing information to less-informed investors (small investors) help to reduce the benefits of the most informed investors (big investors), therefore increase the small investors' ability to maintain their fortune and guide them towards the most transparent investments. ***(Luminita Enache1, Khaled Hussainey, 2020).***

7- According to the various studies conducted, the positive resulting impacts of developing transparency index varies, and are represented as follows ***(Marco Di Maggio, Marco Pagano, Op.Cit) (Demir Yener, 2018) (Gill North, 2011)***:

- Promoting the investors' ability based on informed decisions by providing full and fair disclosure regarding the actual value drivers that contribute to achieving the returns to stockholders.
- Supporting opportunities to achieve the most important elements of financial market efficiency, represented in providing the information that users need and that it is readily

Vol.9, No. 1, pp.23-84, 2021
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available to them at little or no costs, and thus support their ability to make informed money allocation decisions.

- Overcoming the market forces inability to provide sufficient disclosure in time.
- Determine the prices of securities more accurately.
- Aiding debt holders in monitoring and managing their money and provide signs of any previous failure to pay back debts.
- Reducing the ability to utilize internal information.
- Supporting the ability of stockholders to hold management accountable by closely monitoring the company's operations, and thus the possibility of holding managers accountable and directing them towards the optimal use of resources.

Models of Transparency Index:

The financial statements community is rich with many transparency indexes aimed at supporting the level of transparency of financial statements, some of which have been prepared by professional institutions and some have been prepared by researchers, and we present below some of the most commonly used transparency indexes at the global level:

Transparency Indexes were developed through professional institutions:

A-The Index of the Center for International Financial Analysis and Research *(CIFAR)*

This index was set in place in the year 1995 and it consists of eighty-five items divided into seven sections as follows ***(Anna Białek-Jaworska, Jan 2017)***:

1	**General information: S**even items.	**5**	**Information on Stockholders:** Eighteen items.
2	**Information on the Financial Position Statement:** Fifteen items.	**6**	**Information on Cash Flows** Fourteen items.
3	**Information on the Statement of Income:** Eleven items.	**7**	**Additional information:** Ten items
4	**Information on Accounting Policies:** Twenty items.		

This index is considered to be one of the most commonly used indexes to measure the transparency levels of financial statements. It includes in its components between the mandatory and optional disclosures.

B-German Business Administration Index (VBR):

This index was created by the German Business Administration in the year 2002 under the name ***Value-Based Reporting (VBR)*** and it contains three hundred seventy-eight items. ***VBR*** index aims to provide non-financial information that led to minimizing the gap between the market and book value of the company in addition to providing information on the Key Performance Indicators and internal and external value drivers. This index consist of four sections as follows: ***(Christine Reitmaier, Wolfgang Schultze, 2017):***

1	**Information on Valuation of Assets:** Twenty-six items.	**3**	**Information on how to verify the value:** Hundred and twenty-eight items.
2	**Information on Valuation of Performance:** Eighty-four.	**4**	**Information on Performance Forecast:** Hundred and forty items.

Germany issued German Accounting Standard (***GAS 15***) in the year 2005, which included requiring German Companies to prepare a board report containing information on the index ***VBR***.

C-Information Disclosure and Transparency Rankings System (*IDTRS)* Index:

This index was created by Institute for Financial Investments and the Future in the year of 2003 with the support of each of Taiwan Stock Exchange Corporation (***TSEC***) and Gre Tai Securities Market (***GTSM***) in Taiwan. This index is used currently by both stock markets to assess the transparency level of the financial statements for the companies registered in both stock markets. This index contains a hundred and fourteen questions divided into five sections as follows (***Li-Chiu chi, 2009) (Chien-Chi Chu, Kung-Cheng Ho, Chia-Chun Lo, Andreas Karathanasopoulos, I-Ming Jiang, 2019)***:

1	**Questions on Compliance with the Components of Mandatory Disclosure:** Twelve questions.	**4**	**Questions on the Disclosure of Periodic Statements:** Fifty questions.
2	**Questions on the Timing of Providing Information:** Twenty-seven questions.	**5**	**Questions on Disclosure on the Company's Website:** Twenty questions.
3	**Questions on Disclosure of Financial Forecasts:** Five questions.		

This index is applied to start from 2004 on companies registered on both stock markets to assess the level of completeness, clarity, transparency, and reliability of the information disclosed, with the aim of determining the efficiency of companies 'application of governance mechanisms.

D-Transparency and Disclosure Index, prepared by Standard & Poor's:

The index was issued in 2002 as part of an initiative to provide transparent information to support the application of governance mechanisms. The index consists of ninety-eight items divided into three sections as follows (***Standard & Poor's, Sandeep A. Patel, George Dallas, 2002***):

1	**First Section:** Address information on ownership structure and stockholders' equity, it consists of twenty-eight items.	**3**	**Third Section:** Address information on the structure of the Board and procedures, it consists of thirty-five items.
2	**Second Section:** Address information on transparency and information disclosure, it consists of thirty-five items.		

This index is considered one of the most used indexes in the accounting literature when evaluating the level of transparency of financial statements. (***Mine Aksu, Arman Kosedag, 2006)(Burcu Adiloglu, Nevzat Gungor, Goksel Yucel, 2018***).

Transparency Indexes Prepared by Researchers:
Many researchers have self-developed indexes by conducting studies to evaluate the transparency level of financial statements in certain markets. We confirm that most indexes developed by researchers by themselves depended significantly on the input indexes from professional institutions (as previously explained). Researchers have amended it by the addition and omission of specific disclosures in order to support the ability of the index to meet the needs of users. Below are some of the indexes developed by researchers:

A-The Transparency Index of *Trang, Phuong*'s Study
This index was papered based on three foundations represented in each of the governance principles as well as the information disclosure guide in ***Hochi Minh*** Stock Exchange in Vietnam issued in the year 2012, in addition to the transparency indexes inputs in the studies issued in the years 2009 and 2012. This index consists of ninety-four items divided into seven sections as follows***(Vo Thi Thuy Trang, Nguyen Cong Phuong, 2015)***:

1	**Information on the Company:** Eleven items.	**5**	**Information on Equity Structure:** Eighteen items.
2	**Significant Financial Information:** Twenty-seven items.	**6**	**Information on Social Reasonability:** Five items.
3	**Information on Governance Mechanisms:** Fourteen items.	**7**	**Futuristic Information:** Thirteen items
4	**Information on Projects:** Fourteen items.		

B-The Transparency Index of *Akhtaruddin, Hossain, Hossain, Yao*'s Study:

This index was self-developed based on the information that should be available to users. The index consists of seventy-four items divided into nine sections as follows: ***(Mohamed Akhtaruddin, Monirul Alam Hossain, Mahmud Hossain, Lee Yao, 2009)***:

1	**General Information on the Company:** Nine items.	**6**	**Information on Projects:** Fourteen items.
2	**Significant on Governance:** Sixteen items.	**7**	**Information on Employees:** Five items
3	**Financial Information:** Fifteen items.	**8**	**Information on Social Reasonability:** Three items.
4	**Information on Financial Indexes and the Unit's Business:** Fifteen items.	**9**	***Graphic Presentations of Financial and non-Financial Information:*** Two items.
5	**Information on Acquisition and Assets Disposal:** Five items.		

C-The Transparency Index of *Cheng, Collins, Huang*'s Study:

The index consists of thirty-two items divided into five sections as follows: ***(C.S. Agnes Cheng, Denton Collins, Henry He Huang, 2006)***:

1	**Questions on Performance Drivers (Areas of Administrative Focus):** Fourteen questions.	**4**	**Questions on Dealings with Relevant Parties:** Four questions.
2	**Questions on the Audit of Accounting Policies:** Seven questions.	**5**	**Questions on Auditors:** Four questions.
3	**Questions on the Details of the Accounting Policies:** Three questions.		

D-The Transparency Index of *Rezaee, Tuo*'s Study:

The index address determining the transparency level on non-financial information. It consists of sixty-six items divided into two main sections as follows: ***(Zabihollah Rezaeea, Ling Tuob, 2017)***:

1	**First Section: Futuristic non-financial information. Consists of thirty-one items divided as follows:** - **Information on the environment surrounding the facility:** Seven items. - **Information on the intensity of competition in the industry:** Sixteen items. - **Information on the Company's performance trends:** Eighteen items	**2**	**Second Section: Historical non-financial information. Consists of thirty-five items divided as follows:** - **Information on the Company:** Seven items. - **Information on the production:** Fifteen items. - **Information on the employees:** Nineteen items. - **Information on the technology:** Four items.

E-The Transparency Index of *Cheung, Jiang, Tan*'s Study:

The index consists of thirty main questions and twenty-six additional sub-questions with a total of fifty questions. The questions are divided into five sections as follows: ***(Yan-Leung Cheung, Ping Jiang, Weiqiang Tan, 2010)***:

1	**Questions on Stockholders' Equity:** Ten questions.	**4**	**Questions on Disclosure and Transparency:** Twenty-four questions.
2	**Questions on Equal Treatment for Stockholders:** Six questions.	**5**	**Questions on the Board's Responsibilities:** Thirteen questions.
3	**Questions on the Role of Stakeholders in Governance:** Three questions.		

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
Published by ECRTD-UK
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F-The Transparency Index of *Aksu, Kosedag*'s Study:

The index is developed based on Transparency and Disclosure Index (***T&D Index***) papered by ***Standard & Poor's*** and it consists of a hundred and six items divided into three sections as follows: ***(Mine Aksu, Arman Kosedag, 2006)***:

1	**Information on Equity:** Thirty-two items.	**3**	**Information on the Board:** Thirty-seven items.
2	**Information on Financial Disclosure:** Thirty-seven items.		

G-The Transparency Index of *Banerjee, Masulis, Pal*'s Study:

The index consists of a hundred and eight divided into six sections as follows: ***(Suman Banerjee, Ronald Masulis, Sarmistha Pal, 2015)***:

1	**Information on Equity Structure:** Seventeen items.	**4**	**Operational Information:** Seventeen items.
2	**Information on Stockholders' Equity:** Seventeen items.	**5**	**Information on the Board:** Seventeen items.
3	**Financial Information:** Thirty-two items.	**6**	**Information on the Board's remuneration:** Eighteen items

Purposed Transparency Index:

Based on the aforementioned various components of transparency indexes whether it was developed by professional institutions or through researchers, it is clear that it contains many mutual components. It is also evident the significant impact of the Transparency and Disclosure Index (T&D Index) prepared by Standard & Poor's, as it is the most commonly used indexes on the global level. When building the proposed index, We will rely on evaluating all the elements contained in the previous indexes and selecting what represents important information than providing it to investors will lead to a positive impact on their decisions. Consequently, the proposed index will be self-developed, which is in line with the trend that believes that an appropriate measure of transparency should be done through self-developed indexes within the framework of relying on the actual needs of investors and the analysts' forecasts ***(Yan-Leung Cheung, Ping Jiang, Weiqiang Tan, 2010),*** We proposes relying on the following elements when determining the components of the proposed index to control the transparency of financial statements:

1- Avoiding the critiques of transparency indexes which are represented in the fact that indexes are a measure of the amount of disclosure and not of its quality or transparency. Therefore, the index represents an instrument to pick up the quantity not the quality of the disclosure ***(Christian Leuz, Peter Wysocki, 2000)***, We hereby asserts the necessity of that the index reflects not only the quantity of disclosure but also its quality, which requires building the proposed transparency index to ensure the provision of specific information that allows an increase in the level of achieving the qualitative characteristics of the quality of the information contained in the conceptual framework of the financial

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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statement. This information is illustrated below***(Ferdy van Beest, Geert Braam, Suzanne Boelens, 2009)***:

a- The required information to support achieving the feature of adequacy:
- Futuristic Information.
- Information on opportunities and risks.
- Assets measured at fair value.
- Information about the various market events and transactions that affected the company's performance.
- Information on the company’s capability to achieve cash flows.

b- Required information to support achieving the feature of honest expression:
- Information on assumptions and estimations.
- Information on clear applied accounting principles.
- Information on positive or negative events.
- Information on the auditor's report.
- Information on governance practices.

It can also support the verification of other qualitative features of information quality as follows:

a- Level of support to achieving the feature of comprehensibility through:
- Clear wording.
- Good organization.
- The language used and easily followed technical terms.
- Attach a dictionary to the financial statements to explain the accounting terms used.

b- Level of support to achieving the feature of appropriate timing through:

Providing the information on time so investors are able to interact with it in the fastest time possible.

2- We see that developing an index to control the level of transparency in financial statements requires depending on the following elements:
   - **Completion:** The information included in the index should be sufficient to enable investors to make informed decisions. This requires the inclusion of both financial and non-financial information.
   - **Significance:** The information included in the index should be significant and necessary for investors' decision models.
   - **Honesty:** The information included in the index should contain an accurate description of events and conditions.

3- Work to achieve what investors see that the focus in reforming disclosure should not be on reducing the volume, but rather the focus should be on increasing the quality, effectiveness, completeness, and transparency of what is disclosed of information (***CFA, 2014***). In order to ensure that the practices of the current disclosure are based on fact that the disclosure is an application of compliance with the disclosure requirements contained in the standards, which leads to failure to convey a convincing picture of the company's performance (***ICAS, 2010***).

4- Decision-making represents one of the most important functions of the human mind, and the exercise of this function requires getting rid of the ambiguity of the current disclosure. Therefore, We suggest that the proposed index be developed within the framework of the work to achieve what was confirmed by the American judge in the US Supreme Court Louis Brandeis when commenting on the importance of transparency in the financial market:
   "***Sunlight is said to be the best of disinfectants***"(***Steven M. Davidoff, Claire A. Hill, Oct. 29, 2012***).
5- To benefit from what was mentioned in various studies regarding the questions that users desire to answer. Therefore, a comprehensive index is developed to provide the answer to the following questions: (***Itay Goldstein, Liyan Yang, April 18, 2017) (EFRAG, Dec 2013) (CFA, July 2007***)
   - What is the optimal level of disclosure that promotes social well-being?
   - What is the information that investors depend on upon basing their decisions?
   - What is the additional information that interests investors?
   - How does the company achieve its value? And what are their drivers?
   - What is the sustainability of the value achieving processes?
   - What are the resources available to the unit and how to utilize them?
   - How well are there pledges to transfer others' resources?
   - What are the risks that the unit face when carrying out activities?
6- Working toward achieving the elements of effective communication contained in two studies of the Institute of Certified Public Accountants in Scotland ***ICAS***. The effective communication elements are represented in the following: (***ICAS, 2013***) (***ICAS, 2010***)
   - Consistency of the information contained in the index with the information contained in the annual statements.
   - Provide information on the business model and strategies implemented.
   - Communicate a clear message about the efficient performance of the department when using the available resources.
   - Communicate a clear message about the company's competitive position.
   - Provide information on historical and forecast liquidity and cash flows.
   - Avoid repetition and focus on providing important information.
   - Periodic review to ensure that the information presented remains consistent and balanced.
   - Provide information on important professional judgments made by the administration.
   - Provide information about the company's location in the future.
   - Provide information on key performance statistics.

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

Components of the Proposed Transparency Index:

Based on the previously presented transparency indexes in addition to the components that must be complied with when developing the transparency index. We propose building a transparency index consisting of the following groups:

Section	Section	Components
First	Disclosure of Public and Historical Information	Ten items
Second	Disclosure of Business Model Information	Sixteen items
Third	Disclose of Ownership Structure Information	Twenty items
Fourth	Disclose of Board of Directors Information	Thirty items
Fifth	Disclose of Board Remuneration Information	Nine items
Sixth	Disclose of Financial Information	Forty items
Seventh	Disclose of Value Creation Information	Twenty-one items
Eighth	Disclose of Performance Forecast Information	Twenty-two items
Ninth	Disclose of Key Risks Information	Ten items
Tenth	Disclose of Corporate Governance Information	Fifteen items
Eleventh	Disclose of Sustainability Information	Ten items
Twelfth	Disclose of Assets Acquisition and Disposal Information	Five items
Thirteenth	Disclose of Accounting Policy Information	Five items
Fourteenth	Disclose of Related Party Transactions Information	Six items
Fifteenth	Disclose of Timeliness of Information Reporting	Eight items
Sixteenth	Disclose of Auditing Information	Seven items
Seventeenth	Disclose of Products Information	Sixteen items
Eighteenth	Disclose of Competition Position Information	Fourteen items
Nineteenth	Disclose of Customers Information	Nine items
Twenty	Disclose of Employee Information	Nine items
Twenty-First	Disclose of Website Information	Eighteen items

The comprehensive components of the proposed transparency index are listed in the appendices ***(Appendix 1)***. Within the framework of what was previously presented about the importance of organizing optional disclosure by preparing a transparency index in order to support the level of transparency of financial statements, we suggest that the Egyptian Exchange Administration should adopt this index as an input to support the level of transparency of the financial statement in companies. The importance of this is evident in the context of the important impact of transparency on supporting companies' ability to attract capital, especially foreign ones, in addition to all the important effects resulting from supporting the level of transparency of financial statements, as mentioned above. We also suggest that the financial statements of Egyptian companies be evaluated based on the rate of achievement of the components of the proposed transparency index, as follows:

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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Transparency Rate	Transparency Level
Less than 70%	Low transparency
From 70% to 84%	Transparent
From 85% to 100%	The most transparent

We believe that publishing and attaching this classification in the financial statements of Egyptian companies will be a crucial addition to investor-specific decisions, thus helping to rationalize resource allocation decisions.

METHODOLOGY:

Data collection

We suggests conducting the experimental study with the aim of emphasizing the importance of developing a transparency index, and within the framework of what was previously presented of the justifications for the importance of transparency, three issues that We believe are important to verify and test them:

- The low transparency level of financial statements.
- Transparency impact on improving financial performance.
- Transparency impact on protecting stockholders' equity.

The study population is determined by the Egyptian companies registered in the Egyptian Stock Exchange, and the sample of the study is represented by the companies listed in the Egyptian Stock Exchange EGX50 index, which is forty-one, after excluding financial institutions from the index companies ***(Appendix 2)***, For EGX50 index companies for a period of three years 2016, 2017, 2018 in order to determine the level of transparency of the financial statements in addition to testing their impact on both financial performance and shareholders' equity, which we address below.

Measures:

Dependent variable:

A- Tobin's Q

The dependent variable is financial performance, and it is noted that all previous studies used ***Tobin's Q*** scale as a measure of financial performance, in addition to being a measure that is widely applied within studies related to governance. ***Tobin's Q*** is calculated as follows:

$$\frac{\textbf{Market value of equity + value of debt}}{\textbf{Total book value for assets}}$$

If the scale value is between zero and one, it means a low percentage indicating that it is difficult to replace the unit's assets as it requires a greater value than the investments in the company. While the ratio is greater than one, the value of the investments in the company is higher than the cost of replacing the company's assets, indicating strong comparative advantages and

Vol.9, No. 1, pp.23-84, 2021
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opportunities for growth. It is noted that the non-use of performance accounting standards such as ***return on assets (ROA) or return on equity (ROE)*** is due to the sensitivity of these indicators to the method of valuation of assets chosen by management (***Luminita Enache, Khaled Hussainey, 2020***).

B- Shareholder Protection Index *(SPI):*

The formulation of this indicator is based on two indicators: ***Antidirector Right Index (ADRI)*** (***Graeme G. Acheson, Gareth Campbell and John Turner, 2016***), so is the Shareholder Protection Index ***(SPI) (Mathias Siems, Jan 2016).*** Accordingly, the proposed shareholder protection index consists of twenty-three components (Annex 2), and the shareholder protection index is calculated as follows:

$$SPI = \frac{\sum_{i=1}^{n} X_{ij}}{\sum_{i=1}^{n} Mi}$$

Whereas:

SPI: Shareholder Protection Index.

Mi: The maximum rate a company can get is twenty-three points.

Xi: The shareholder protection rate the company has achieved.

2/2/6: Independent variable:

The independent variable is determined by the value of the transparency index, which is calculated according The level of transparency of the financial statements of the EGX50 index companies is determined by examining the financial statements and the accompanying explanations, the Board report, and the corporate governance report for the EGX50 index companies in order to determine the availability of the elements of the proposed transparency index, using the following equation:

$$\textbf{\textit{T. index}} = \frac{\sum_{i=1}^{n} X_{ij}}{\sum_{i=1}^{n} Mi}$$

Where:

T. index: Transparency index

Mi**:** The maximum rate the company receives within the proposed transparency index is three hundred points.

Xij: The transparency rate achieved by the company.

3/2/6: Control variables:

Vol.9, No. 1, pp.23-84, 2021

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We examine the impact of transparency on financial performance and since transparency is not the only variable that affects financial performance, so the impact of other variables on financial performance should be isolated, and prior studies have been based on the use of the following control variables:

A- *Size*:

It is expressed in the book value of total assets, and the ***size*** of the company is expected to be positively related to its financial performance, and this variable has been used as a control variable in previous studies depending on the fact that the company's large ***size*** means the company's ownership of more resources and greater competitive advantages, thus increasing the ability to achieve better performance. (***Tamer Muhammad Shahwan, 2015) (Li – Chiu Chi, 2009) (Bernard, A.B., Moxnes, A., Saito, Y.U., 2019***).

B- *Leverage*:

This is to express financial risk and is measured in the following equation:

$$\frac{\textbf{Total debt}}{\textbf{Total assets}}$$

The correlation of financial leverage is expected to be negative with financial performance, as companies with higher leverage are more likely to lose market share, which reduces their profitability and level of financial performance. (***Yu, E.P., Guo, C.Q., Luu, B. Van, Nov. 2018) (Tseng-Chung Tang, 2010***).

C- Age

Many studies that dealt with the relationship between transparency and financial performance used the age of the company as a control variable, measured by the time period from the beginning of incorporation until the date of conducting the study, and many studies have reached a negative relationship between age and financial performance, where small companies outperform financial performance compared to large companies. (***Geroski, P. A, 1995) (Phu Nguyen, Van, François Laisney, Ulrich Kaiser , 2004***)

Testing hypotheses:

Frist hypothesis

We propose to test the validity of the first hypothesis by measuring transparency index for EGX50 companies for a time series from 2016-2017-2018 as follows:

<u>2016:</u>

Average transparency for EGX50 companies=

$$\frac{\text{7547 (value of available entries in 41 company)}}{\text{12300 (300 items x 41 company)}} = \underline{\textbf{61.35 \%}}$$

EGX50 **companies divided in 2016 according transparency index as follows:**

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

Level of Transparency	Number of Companies
Low Transparency Companies (Transparency index rate is less than 70%)	Twenty-seven companies
Transparent Companies (Transparency index rate from 70% to 84)	Fourteen companies
Most Transparent Companies (Transparency index rate from 85% to 100%)	None
Total	Forty-one companies

2017:

Transparency index rate for companies index *(EGX50)* =

$$\frac{\text{7650 (value of entries available in 41 companies)}}{\text{12,300 (300 items × 41 companies)}} = \mathbf{62.19\ \%}$$

***EGX50* companies divided in 2017 according transparency index as follows:**

Level of Transparency	Number of Companies
Low Transparency Companies (Transparency index rate is less than 70%)	Twenty-seven companies
Transparent Companies (Transparency index rate from 70% to 84)	Fourteen companies
Most Transparent Companies (Transparency index rate from 85% to 100%)	None
Total	Forty-one companies

2018:

Transparency index rate for companies index (EGX50) =

$$\frac{\text{7774 (value of entries available in 41 companies)}}{\text{12,300 (300 items × 41 companies)}} = \mathbf{63.20\ \%}$$

***EGX50* companies divided in 2018 according transparency index as follows:**

Level of Transparency	Number of Companies
Low Transparency Companies (Transparency index rate is less than 70%)	Twenty-six companies
Transparent Companies (Transparency index rate from 70% to 84)	Fifteen companies
Most Transparent Companies (Transparency index rate from 85% to 100%)	None
Total	Forty-one companies

The previous results regarding the general average level of transparency show that ***(EGX50)*** index companies are low-transparency companies, as the general average of the transparency index did not exceed 70%, which is close to the transparency rate reached in the ***Masry study*** that was conducted on (***EGX30***) index companies in the Egyptian capital market for the year 2014,

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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where the average was the general transparency and disclosure index is 66.5% (***Mohamed Masry. June 2015***), and it is noticed that the general average of the transparency index reached for (***EGX50)* index** companies during the study period indicates an improvement in the level of transparency in the Egyptian capital market compared to what was found in the study of ***Al-Sadiq and Obaid***, which concluded that the average transparency in the Egyptian capital market is 40% (***Zakaria Al-Sadiq, Ibrahim Obaid, 2007***), based on the aforementioned, it is evident that the level of transparency of financial reports is low in the (***EGX50)* index** companies, and thus the feasibility of applying the proposed transparency index as a tool to support the level of transparency of financial reports, which confirms the validity of **the first hypothesis**:

The level of transparency of financial reporting by companies listed in the Egyptian Capital Market Index (EGX50) is a driving force for the implementation of the proposed transparency index.

The importance of implementing the proposed transparency index is evident in light of Egypt's low ranking in the Corruption Perceptions Index for 2019 issued by Transparency International, as it ranked six after hundred out of a total of 198, achieving thirty-five points out of a total of one hundred (***Corruption Perceptions Index for 2019***).

Second hypothesis

According to what has been presented in previous studies, as well as within the justifications for the importance of transparency, many studies have found a correlation between an improvement in the level of transparency and an improvement in the financial performance of the unit, but a limited number of studies indicated a negative relationship or the absence of a relationship between transparency and financial performance. Accordingly, We examine this relationship with the Egyptian capital market through the following variables:

Accordingly, the first regression model is designed to examine the relationship between the transparency index and financial performance as follows:

$$\textit{Tobin's } Q = \beta\, 0 + \beta\, 1\ T.\ index + \beta\, 2\ Size + \beta\, 3\ Leverage + \beta\, 4\ Age + e$$

1-Descriptive statistics

The following table shows the descriptive statistics of the variables of the first model:

Table (1) Descriptive statistics of the first model variables

Variables	Std. Deviation	Mean	Maximum	Minimum
Tobin’s Q	1.521	2.104	8.415	0.487
T. Index	0.127	0.622	0.833	0.320
Size	1.335	8.503	11.47	5.26
Leverage	0.276	0.612	1.860	0.119
Age	22.434	33.10	114	3

Vol.9, No. 1, pp.23-84, 2021
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It is evident through the descriptive statistics that the minimum ***T. index*** for the ***(EGX50)*** index companies for the study period is 0.320 and the upper limit is 0.833, while the average ***T. index*** for the study period is 0.622 with a standard deviation of 0.127, which is a rate indicating that the (***EGX50)*** index companies represent low transparency companies, according to what has been previously mentioned, we believe that it is necessary to compare the level of transparency in the Egyptian capital market with that in the Arab financial markets. This comparison shows the following:

1- The average level of transparency for Egyptian companies is higher than the average level of transparency of companies listed in the Iraqi capital market, according to a study conducted on the financial reports for the years 2015 and 2016 of five Iraqi companies, where the rate of transparency was determined using the ***S&P*** Transparency Index after it was amended and only eighty elements were satisfied instead of ninety-eight, and the transparency rate of the research sample was 37.75% (***Talal Muhammad Ali Al-Hijjawi, Iman Jawad Ahmad Al-Khafaji, 2018***).
2- The average level of transparency for Egyptian companies is lower than the average level of transparency of companies listed on the Kuwaiti Stock Exchange, as the level of transparency in them reaches 91%, according to a study conducted on the financial reports of sixty companies for the year 2016, and we believe that the high transparency index in the Kuwaiti capital market is due to the fact that the study did not exclude Financial sectors such as banks, insurance and investment companies (as is done with all studies that measure transparency rates). These sectors are subject to strict control measures that contribute to high levels of transparency of their financial reports, in addition to their special accounting systems (***Sultan Muhammad Hassan Muhammad Al-Halmi, January 2018***).
3- The level of transparency is converging in the Egyptian and Saudi capital markets, where the level of transparency in the Saudi capital market is 69.6%, according to a study conducted on the financial reports for the year 2009 of forty-three companies after excluding financial and banking institutions, and the level of transparency was determined in light of a proposed indicator by us consisting of seventy-five elements (***Ahmad Rajab Abdul Malik Abdul Rahman, 2013***) noting that another study on the financial reports for the year 2009 of twenty-three companies registered in the Saudi capital market showed that the transparency rate reaches 51.01%, as the level of transparency was determined in light of the ***S&P*** Transparency Index after amending it by adding eight elements To the main components of the index (***Muhammad bin Sultan Al-Qabbani Al-Sahli, 2011***).

According to the above, it is important to implement the proposed transparency index in the Egyptian Stock Exchange (and Arab stock exchanges) in order to support the level of transparency in the financial reports of Egyptian companies, in addition to supporting the organizational efforts aimed at raising the level of application of governance mechanisms in Egyptian companies is evident as one of the most important variables affecting the country's ability to attract foreign investments.

Vol.9, No. 1, pp.23-84, 2021

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Matrix of correlation coefficients

The following table shows the correlation coefficients between the variables of the first form:

Table (2) Pearson Correlation Matrix for the study variables

Variables	Tobin's Q	T. Index	Size	Leverage	Age
Tobin's Q	1.000				
T. Index	*0.390	1.000			
Sig.	.036				
Size	*0.322	0.158	1.000		
Sig.	0.000	.081			
Leverage	*-0.106*	0.133	0.083	1.000	
Sig.	0.001	.144	.364		
Age	*0.217	-0.158	-0.183	-0.064	1.000
Sig.	.016	.081	.043	.484	

*** Correlation significant at 5%.**

**** Correlation significant at 1% level.**

The results show a statistically significant relationship between the components of transparency index (T. Index) and financial performance as measured by ***Tobin's Q*** as ***Sig*.** Less than 5% and the correlation relationship is positive, where the value of the correlation coefficient was 0.390, which is consistent with what has been reported in several studies such as the study of Zaman, Arslan, Siddiqui, which concluded that the correlation between the ***T & D. Index*** transparency index and financial performance measured through ROA reaches 0.49 As measured by the ROE, the correlation rate is 0.45 (***Rashid Zaman, Muhammad Arslan, Muhammad Siddiaui, 2015***), in addition to the ***Xin, Xiao*** study that showed a correlation between the *T & D. Index* transparency and financial performance index. The value of the correlation coefficient was 0.202 (***Jinguo Xin, Chen Xiao, 2011***), and finally the Adiloglu, Vuran study which found a strong correlation between the level of transparency and the rate of ***return on assets (ROA) (Burcu Adiloglu, Bengu Vuran, 2012***), it is also evident that the relationship between financial performance and control variables was as follows:

1- Statistically significant relationship between financial performance and ***size***, where ***Sig***. the correlation is less than 5% and the correlation is positive, where the value of the correlation coefficient was 0.322, which is consistent with what was previously stated regarding the existence of a positive relationship between ***size*** and financial performance.
2- Statistically significant relationship between both financial performance and financial ***leverage*** at the level of 1% significance and the negative correlation relationship, where the value of the correlation coefficient was -0.106, which is consistent with what was previously stated regarding the existence of a negative relationship between the financial leverage rate and financial performance.
3- Statistically significant relationship between both financial performance and ***age***, as the ***Sig.*** the correlation is less than 5% and the correlation is positive, where the value of the correlation coefficient was 0.217, which differs with what has been previously explained about the existence of a negative relationship between age and financial performance, and

we believe in the importance of dealing with future accounting studies for reasons that some results in the Egyptian market differ from what the accounting research has settled on at the level For example, the accounting research has settled on the positive impact of mandatory disclosure on the value of the company, but one of the studies found a high moral but negative correlation between the mandatory disclosure and the value of the company, and the study explained it to the high costs of mandatory disclosure compared to its benefits in the context of low penalties for non-compliance in the Egyptian context (***Omaima A.G. Hassan, Peter Romilly, Gianluigi Giorgioni, David Power, 2009***).

Multiple linear regression

The following table shows the results of a regression analysis of the relationship between financial performance and the Transparency Index (***T. Index***):

Table (3) the results of regression analysis of the relationship between financial performance and the variables of the first model

Variables	Regression coefficients B	T-Test T	T-Test Sig.
T. Index	3.099	3.095	0.002
Size	0.381	3.988	0.000
Leverage	0.6170-	-1.360	0.001
Age	0.014	2.431	0.017
The overall significance of the regression model F	7.994		
Sig.	0.0000		
Coefficient of determination (R2)	0.415		

Results show the following:

The overall significance of the regression model:

It was found that the result of the ***F-Test*** is significant, as the calculated value of the test (***F***) was 7.994, and the level of significance is less than 0.05. Therefore, the proposed model can be relied upon to indicate the nature of the relationships between the study variables.

As for the explanatory ability of the form:

The value of the coefficient of determination ***R2*** for the model is equal to 0.415, which means that the independent variables explain 41.5% of the changes that occur in the dependent variable (financial performance).

For partial significance:

T-Test results with respect to the relationship between transparency index (***T. Index***) and financial performance (***Tobin's Q***) showed that the value of ***T*** is 3.095, and ***Sig*** is 0.002, i.e. less than 5%,

Vol.9, No. 1, pp.23-84, 2021
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which confirms the existence of a statistically significant relationship between the transparency index (***T. Index***) and financial performance (***Tobin's Q***), and that the relationship between them is positive according to the reference of the regression coefficient ***B***, and the above confirms the validity of the second hypothesis:
There is a statistically significant relationship between the proposed index of transparency and the financial performance of the Egyptian capital market index (EGX50) companies.

The same thing was reached by many studies where it was concluded that companies that disclose more transparent information in their financial reports will enhance investor confidence, which will positively affect their performance. (***Rashid Zaman, Muhammad Arslan, Muhammad Siddiaui, 2015***) (***Annelies Renders Ann Gaeremynck Piet Sercu, 2010) (Darren Henry, 2008***).
4/3- The results of the relationship between control variables and financial performance (***Tobin's Q***) were as follows:

A- Relationship between ***Size*** and Financial Performance (***Tobin's Q***), T-Test results show that ***T*** has a value of 3.988 and ***Sig***. 0.000, i.e. less than 5%, which confirms that there is a statistically significant relationship between ***size*** and financial performance (***Tobin's Q***) and that the relationship between them is positive according to the reference of the regression coefficient ***B***.

B- The relationship between financial leverage and financial performance (***Tobin's Q***), T-Test results showed that the value of T -1.360 and the value of ***Sig.*** 0.001, i.e. less than 5%, which confirms the existence of a statistically significant relationship between financial leverage and financial performance (***Tobin's Q***), and that the relationship between them is inverse according to the reference of the regression coefficient ***B***.

C- The relationship between age and financial performance (***Tobin's Q***), T-Test results showed that the value of T is 2.431 and the value of ***Sig.*** 0.017, i.e. less than 5%, which confirms that there is a statistically significant relationship between age and financial performance (***Tobin's Q***) and that the relationship between them is positive according to the reference of the regression coefficient ***B***.

Third hypothesis:

To test third hypothesis we must determine shareholder protection index at ***EGX50*** companies as follows:

2016:

The shareholder protection index for *EGX50* companies =

$$\frac{\text{519 (value of entries available in 41 companies)}}{\text{943 (23 items x 41 companies)}} = \mathbf{55.35\%}$$

2017:

The shareholder protection index ratio for the (*EGX50*) index companies =

$$\frac{\text{548 (value of entries available in 41 companies)}}{\text{943 (23 items x 41 companies)}} = \mathbf{58.11\%}$$

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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2018:
The Stockholders Protection Index ratio for the (*EGX50*) index companies =

$$\frac{560 \text{ (value of entries available for 41 companies)}}{943 \text{ (23 items x 41 companies)}} = \mathbf{59.38\%}$$

The aforementioned equations indicate that the value of the stockholders' index is limited throughout the terms of the study despite the announcement of the commitment of the companies registered on the Egyptian Stock Exchange to implement the governance mechanisms aimed at raising stockholder protection rates. The result is consistent with Shahwan's finding that the scope of application of governance mechanisms in Egyptian companies ranges between 0.00 as a minimum and to a maximum of 0.667, with a standard deviation of 0.155, which means that there are no major differences in the practice of governance mechanisms in Egyptian companies. While the average application is 14.7%, this means that governance practices within Egyptian companies are weak despite the great efforts taken by the Egyptian authorities. It is also noticed that the average percentage of commitment to governance mechanisms within Egyptian companies is lower than previous studies in other emerging markets. For example, the average commitment to implementing governance mechanisms in Brazil in 2008 was 67%, in Korea 46.7% and in India 31.78% ***(Tamer Mohamed Shahwan, 2015)***, Based on the above, it becomes clear the extent of the need to support the level of stockholder protection through the accurate application of governance mechanisms, which is what we believe can be achieved by supporting the level of transparency as one of the most important governance mechanisms through the application of the proposed transparency index, as many studies have confirmed that supporting the level of transparency The financial report will have effective effects on protecting the interests of the stockholders (***Suman Banerjee, Ronald Masulis Sarmistha Pal, 2015) (Benjamin Fung, 2015***), based on the aforementioned, **the third hypnosis** is confirmed:
The SPI in the companies listed in the Egyptian Stock Exchange Index (EGX30) is considered a motive to support the level of transparency, as it is one of the most important governance mechanisms.

Fourth hypothesis:

To test relation between transparency index ***(T.Index)*** and Stockholders Protection Index ***(SPI),*** we design second regression model as follows:

$$SPI = \beta\ 0 + \beta\ 1\ T.\ index + e$$

The results of the statistical analysis of the variables of the second model were as follows:
1-Descriptive Statistics
The following table shows the descriptive statistics of the variables of the first model:

Table (4): Descriptive Statistics of Second Model Variables

Variables	Std. Deviation	Mean	Maximum	Minimum
SPI	0.101	0.580	0.798	0.401
T.Index	0.127	0.622	0.833	0.320

The descriptive statistics of the second model variables show that the minimum SPI of the EGX50 index companies for the entire study period is 0.401 while the upper limit is 0.798 with a std. deviation of 0.101 while the average index for the entire study period is 0.580. This necessitates

Vol.9, No. 1, pp.23-84, 2021
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the need for expanded application of the proposed transparency index as it is one of the governance mechanisms aiming to support levels of shareholder protection, especially in light of Egypt's achievement by occupying the fifty-seventh place in the index of protecting the rights of small shareholders issued by the World Bank "Doing Business Annual Report 2020" ***(World Bank Group, 2020)***.

Matrix of Correlation Coefficients

The following table shows the correlation coefficients between the variables of the first model:

Table (5): Pearson Correlation Matrix for Study Variables

Variables	SPI	T.Index
SPI	1.000	
T.Index	*0.386	1.000
Sig.	0.000	

* Correlation was significant at 5%.

The results show that there is a statistically significant relationship between the components of the T.Index and SPI of the EGX50 index companies, as Sig. is less than 5%, and the correlation between them is positive as the value of the correlation coefficient was 0.386.

Multiple Linear Regression

The following table shows the results of a regression analysis of the relationship between financial performance and T.Index:

Table (6): Results of A Regression Analysis of The Relationship between T.Index and SPI

Variables	Regression Coefficients (B)	T-Test	
		T	**Sig.**
T.Index	0.306	4.605	0.000
Overall Significance of The Regression Model			
F	21.206		
Sig.	0.000		
(R2) Determination Coefficient	.189		

Results show the following:

1. **For the overall significance of the regression model:**
   It was found that the result of the F-Test is significant, as the calculated value of the test (F) reached 21.206, and the level of significance is less than 5%. Therefore, the proposed model can be relied upon to indicate the nature of the relationships between the study variables.
2. **For the Explanatory Capacity of The Model:**
   For the explanatory capacity of the model, the determination coefficient R2 of the model is equal to 0.189, which means that the T.Index explains 18.9% of the changes that occur in the dependent variable SPI.

Vol.9, No. 1, pp.23-84, 2021

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3. **For the Partial Moral:**
   The results of T-Test regarding the relationship between T.Index and SPI showed that the value of T is 4.605 and the value of Sig. 0.000, i.e. less than 5%, confirms that there is a statistically significant relationship between T.Index and SPI and that the relationship between them is positive according to the indication of the regression coefficient B, and the above confirms the validity of the fourth hypothesis.
   There is a statistically significant relationship between the proposed T.Index and the level of shareholder protection in the Egyptian capital market index EGX50 companies. Therefore, the feasibility of applying the proposed T.Index becomes evident as one of the governance mechanisms aimed at supporting the level of protection of shareholders' rights.

CONCLUSION AND RESULTS

The research aims to try to support the level of transparency of financial reports by organizing voluntary disclosure by using a proposed index of transparency in order to meet the needs of users of financial reports for information that the failure to provide leads to a lack of transparency of financial reports. The research also aims to determine the nature of the relationship between the level of transparency of the financial report and each of the financial performance and the level of shareholder protection in the Egyptian capital market. The importance of organizing the voluntarily disclosed information was achieved through the use of the proposed T.Index, as the proposed components of the proposed transparency index represent a necessary tool to achieve what investors believe that the focus in reforming disclosure should not be on reducing the volume, but the focus must be on increasing the quality, effectiveness, completeness and transparency of the information disclosed. The low level of transparency in the EGX50 index companies was concluded through the test study, which confirms the need to support the level of transparency of the financial reports of companies registered in the Egyptian capital market through the application of the proposed T.Index. It was also concluded that the proposed T.Index has a significant impact on the financial performance and the relationship between them is positive. Finally, a decrease in the level of shareholder protection in the EGX50 index companies has been reached, which confirms the need to support the level of protection through the application of the proposed T.Index, considering that transparency is one of the most important governance mechanisms aimed at protecting shareholders. Based on what has been reached through the theoretical and experimental studies, We believe that the following is necessary:

1. The Egyptian Exchange management includes the proposed T.Index within the requirements for the proper application of governance mechanisms as a means to support the level of transparency of financial reports, in addition to its positive impact on improving the level of shareholder protection.
2. Periodic follow-up of the Egyptian companies' transparency rates by managing the Egyptian Exchange and announcing the companies that have achieved high transparency rates, as well as the companies whose transparency rates have decreased compared to the previous rates, for all those dealing in the capital market.

3. The need to urge investors to invest in companies with high transparency, in addition to the necessity to issue instructions from the Central Bank of Egypt that banks should not issue any bank facilities to companies that fall within the scope of companies with low transparency.

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Appendixes:

Appendix (1)

Transparency Index Groups

First: Disclosure of Public and Historical Information	
1	Brief history of the company
2	Corporate structure
3	Physical output and capacity utilization
4	Description of business and industry structure
5	Employee involvement and fulfillment of its rate of change
6	General development of the major events for the business in the last 5 years
7	Scope and description of the business and related properties
8	Seasonality and cyclicality
9	Overview of compliance with environmental law.
10	A list of the main memberships of industrial or other associations
Second: Disclosure of Business Model Information	
11	corporate strategy
12	Report details of the kind of business it is in
13	Statement of corporate strategy and objectives
14	Principal activities Corporate Strategy
15	Action taken to achieve corporate objectives and strategy
16	Strategy to improve performance
17	Overview of trends in its industry
18	Provide a segment analysis, broken down by business line
19	Market share for any or all of its businesses?
20	Details of its investment plans in the coming years?

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Vol.9, No. 1, pp.23-84, 2021
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21	Description of company's industry structure
22	Growth or shrinkage in market share
23	Beneficial or detrimental circumstances in which the company is involved and that may cause increased or decreased cash flows in the future
24	Discussion of patents that will apply for
25	Financing opportunities
26	The vision and strategy in the short, medium and long terms, in relation to managing important economic, environmental and social impacts that the organization causes, contributes to, or is directly related to its activities, products, or services.
Third : Disclose of Ownership Structure Information	
27	Shares classes
28	The number and par value of issued ordinary shares.
29	The number and par value of issued other types of shares disclosed.
30	The number and par value of authorized but unissued shares of all types.
31	The identity of the largest shareholder.
32	The identity of holders of all large stakes
33	Top 1, 3, 5, or 10 shareholders disclosed
34	Shareholders owning more than 10, 5, or 3 percent is disclosed.
35	No. and identity of shareholders holding more than 3%
36	No. and identity of shareholders holding more than 5%
37	No. and identity of shareholders holding more than 10%
38	The indication that management is not aware of the existence of any stake exceeding 5% in except for those that are reported.
39	Disclose about No. of treasury Stocks and purchase prices
40	Shareholding in the company by individual senior managers.
41	Shareholding in the company by individual directors.

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
Published by ECRTD-UK
Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

42	The description of share classes.
43	A review of shareholders by type.
44	The percentage of cross-ownership.
45	Information about listings on exchanges.
46	Information about indirect ownership (e.g., convertible instruments).
Fourth: Disclose of Board of Directors Information	
47	Details about the current employment and position of directors.
48	Other details: previous employment and positions, education, etc.
49	When each director joined the board?
50	The name of the Chairman.
51	Details about role of the board of directors at the company.
52	A list of matters reserved for the board.
53	Information about the ratio of in absentia and in person board meetings.
54	Attendance record for board meetings.
55	The list of senior managers not on the board of directors.
56	Does the Board contain at least one-third of members as independent members?
57	The backgrounds of senior managers.
58	The financial and non-financial details of the CEO’s contract.
59	The number of shares held in other affiliated companies by managers.
60	Policy on assessment of board of directors and on training provided to them.
61	Details about role of the board of directors at the company
62	Is there an audit committee?
63	Disclosure of names on audit committee
64	The bylaws on other internal audit functions besides the audit committee.
65	Other internal audit function besides audit committee

Vol.9, No. 1, pp.23-84, 2021
Published by ECRTD-UK
Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

66	Is there a nomination committee?
67	Disclosure of names on nomination committee
68	Is there a remuneration/compensation committee?
69	Names on remuneration/compensation committee)
70	Is there a strategy/investment/finance committee?
71	No. of shares in the company held by directors
72	Director training programs
73	Decision-making process of directors’ pay
74	Disclosure of conflicts of interest resulting from membership of board members for boards of directors at other companies
75	Disclosure of conflicts of interest to board members through the presence of contributions in suppliers' companies or companies of other stakeholders
76	Is there a shareholder controlling the decisions of the board of directors?
Fifth: Disclose of Board Remuneration Information	
77	The decision-making process for directors’ pay.
78	The specifics of directors’ pay, including the salary levels.
79	The form of directors’ salaries, such as whether they are in cash or shares.
80	The specifics of performance-related pay for directors.
81	The decision-making process for determining managerial (not board) pay.
82	The specifics of managers’ (not board) pay, such as salary levels and bonuses.
83	The form of managers’ (not board) pay.
84	The specifics of performance-related pay for managers.
85	Disclosure of shares number owned in other subsidiaries by managers
Sixth: Disclose of Financial Information	
86	The accounting standards it uses for its accounts.
87	Annual financial statements according to an internationally recognized accounting standard (IFRS/U.S. GAAP).

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
Published by ECRTD-UK
Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

88	Notes to annual financial statements according to IFRS
89	Interim (quarterly or semi-annual) financial statements according to an internationally recognized accounting standard (IFRS
90	Consolidated financial statements according to IFRS
91	Methods of asset valuation.
92	Methods of liability valuation
93	A list of affiliates in which the company holds a minority stake.
94	The ownership structure of affiliates.
95	Segment analysis (results broken down by business line).
96	Revenue structure (detailed breakdown).
97	Cost structure (high degree of detail).
98	Accounts adjusted for inflation?
99	Information on method of fixed assets depreciation
100	Characteristics of assets employed
101	Efficiency indicators (ROA, ROE, Liquidity ratios ,Debt/equity ratio ,Return on capital employed , Return on shareholders' equity
102	Other key financial ratios
103	Any industry-specific ratios?
104	Any plans for investment in the coming year(s)?
105	Detailed info about investment plans in the coming year(s)?
106	Its market share for any or all of its businesses?
107	Amount and sources of revenue
108	Cost of goods sold for the period
109	Operating profits/losses before extraordinary gains and losses
110	Details of operating expenses
111	Current assets and its composition

112	Current liabilities and its composition
113	Break up of receivables
114	Sources of raw materials
115	Retained profits
116	Whether company discloses the guarantee, lending, and other derivative trading information of itself or its affiliated enterprises in annual report?
117	Foreign Currency information
118	Intangible assets break-down
119	Policies regarding the amortization of intangible assets
120	Comparative financial position for three to five years or more
121	Dividend per ordinary share for the period
122	Explanation provided for change in sales
123	Explanation provided for change in operating income/net income
124	Explanation provided for change in market share
125	Changes in financial position and Company's financial flexibility
Seventh: Disclose of Value Creation Information	
126	Value-based management systems
127	Consistency regarding value-orientation
128	Applied performance measures (value-based, traditional)
129	Description of applied performance measures (nature, reasoning, monitoring) Performance measures by segment
130	Development of performance measures over time
131	Benchmarking performance measures (industry or peer group)
132	Target level of performance measures
133	Consequences if performance measures miss the target level
134	Increase in market value as explicit firm target

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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135	Terms and conditions for Incentive system
136	Description of performance measure tied to the incentive system
137	Description of individual target agreements tied to the incentive system
138	Details about Cash flow generation
139	Gross cash flow
140	Free cash flow
141	Explanation of cash flow statement
142	Economic Value added statement
143	A description of the company's supply chain, including its main elements and the extent to which it relates to the company's activities, its brand, its main products and services
144	Changes in major suppliers locations
145	Significant changes to the structure of the supply chain or relationships with suppliers
146	Main value drivers, especially intellectual capital
Eighth: Disclose of Performance Forecast Information	
147	A basic earnings forecast of any kind.
148	A detailed earnings forecast.
149	Future opportunities and threats (economic trend, industry structure, market volume, market growth)
150	Projection of future sales
151	Forecast of cash flows
152	Planned capital expenditure
153	Corporate strength and weaknesses (competitive advantage, market shares, new business segments)
154	Information by segments on strength, weaknesses, opportunities and threats (SWOT)
155	Financing activities

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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156	Financing activities by segments
157	Planned values for the financial statements
158	Planned values for the key performance measures
159	Planning horizon
160	Current cost of capital
161	Expected future cost of capital
162	Calculation of the cost of capital (current and expected)
163	Cost of capital by segments
164	Explains the possible factors that may lead to a discrepancy between financial forecast and actual financial results in advance
165	Qualitative forward-looking information including forecasts, prospective Information
166	Development-stage R & D including likelihood that new product will be successful, date testing phase will be complete and approval by regulatory agency
167	Future R&D plan and its estimated expenses
168	The progress of R & D investment plan
Ninth: Disclose of Key Risks Information	
169	Explain key risks
170	Risk management policy in annual report?
171	Organizational structure of risk management in annual report
172	Periodic tracking of KRIs
173	KRIs should be reported regularly
174	Risk mitigation plans (RMPs) should be set for High-risk items.
175	Determine what high risk is by assessing control levels.
176	Hedging approach and how to apply it?
177	Description of the governance mechanisms used specifically to manage risk

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178	How effective are risk management processes?
Tenth: Disclose of Corporate Governance Information	
179	Existence of Corporate Governance Charter or Code of Best Practice
180	Company's compliance with the corporate governance charter / code of best practices
181	Governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented.
182	Details about basic system
183	Educational qualification of the executive directors
184	Educational qualification of the non-executive directors
185	Educational qualification of the independent non-executive directors
186	Experience of the executive directors
187	Experience of the non-executive directors
188	Experience of the independent non-executive directors
189	Position or office held by executive directors
190	Other directorship held by executive directors
191	Other directorship held by non-executive directors
192	Other directorship held by independent non-executive directors
193	Institutional investor with at least 5 per cent of the firm’s equity
Eleventh: Disclose of Sustainability Information	
194	Is there sustainability reporting (e.g., Global Reporting Initiative, Integrated report)?
195	Explicitly mention environmental issues in its public communications
196	Information on safety measures
197	Environmental protection programs
198	Information on community services

199	Whether company discloses work environment and safety related protective measures in annual report? (This item receives extra bonus point)?
200	Strategic priorities and key issues in short and medium term regarding sustainability
201	List of stakeholder groups involved in discussing various issues regarding sustainability
202	The company's approach to stakeholder engagement, and an indication of whether any of these contributions were made specifically as part of the annual reporting process
203	The impact of trends, risks, and opportunities related to sustainability on the company's long-term prospects and financial performance
Twelfth: Disclose of Assets Acquisition and Disposal Information	
204	Acquisition and disposal of fixed assets
205	Reasons for acquisitions
206	Reasons for disposals
207	Capital expenditure for the period
208	Details of company investment
Thirteenth: Disclose of Accounting Policy Information	
209	Discuss accounting policy
210	Determine if the company provide accounts in alternate internationally recognized accounting method
211	Determine if the company provide each of the balance sheet, income statement, and cash-flow statement by internationally recognized methods
212	Provide financial information on a quarterly basis
213	Determine if the company produce consolidated financial statements
Fourteenth: Disclose of Related Party Transactions Information	
214	Provide a list of affiliates in which it holds a minority stake

215	Ownership structure of affiliates
216	Related-party transactions (RPTs): sales to/purchases from payables to/receivables from related parties.
217	List/register of group transactions
218	Indication that RPTs are made on market or nonmarket terms.
219	Exact terms of RPTs.
Fifteenth: Disclose of Timeliness of Information Reporting	
220	Whether company announces monthly financial report in time?
221	Whether company announces consolidated monthly financial report in time?
222	Whether company announces monthly operating income and before tax income statement in time?
223	Whether the company announces monthly guarantees and lending information backed up by the company itself and its subsidiaries in time?
224	Whether company announces operating income, operating income by products for major subsidiaries, and intra-company sales and its sales percentage between the company itself and its major subsidiaries on a timely basis?
225	Whether company reports annual report in time?
226	Whether company reports annual report within 3 months of accounting year-end? (This item receives extra bonus point)
227	Whether company reports consolidated financial statements in time?
Sixteen: Disclose of Auditing Information	
228	The name of the auditing firm.
229	Whether the audit firm is a top-tier auditor?
230	Auditor rotation policy.
231	How much the company pays in audit fees to the auditor?
232	Whether auditor renders non-audit services?
233	Non-audit fees paid to the auditor.
234	Independent auditor's report on annual financial statements according to IFRS

European Journal of Accounting, Auditing and Finance Research
Vol.9, No. 1, pp.23-84, 2021
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Seventeen: Disclose of Products Information	
235	Amount and quality of key resources and related suppliers
236	Definition of industry (or other segment)
237	Description and duration of important patents, trademarks
238	Description of nature of operations and current vulnerability due to concentrations
239	Description of principal products/services
240	Growth in units sold or average prices of units sold
241	Information about geographic concentrations in the production base
242	Information about the change in the nature of the warranty for a product
243	Large changes in the proportion of materials purchased from the one or two largest suppliers
244	Non-financial historical business information (often about ten years) – backlog figures
245	Recent process, product, or service innovations; sources and consequences
246	Relative bargaining power of resource providers and provider satisfaction
247	Timeliness to perform key activities (production, delivery, developing new products)
248	Trends in sales, sales prices, unit costs, and volume and prices of materials consumed
249	Where products are produced? Where they are delivered?
250	Discussion of new products that will be introduced
Eighteen: Disclose of Competition Position Information	
251	Recent changes in environment; nature and timing of company's response
252	Regulation and legislation affecting segment
253	Business strategy and Management consistency of strategy with external trends

Vol.9, No. 1, pp.23-84, 2021
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254	Enabling infrastructures including organizational structure, business strategy, management philosophy, and employee incentives
255	The competitive advantages available to company
256	Goals for return on assets, equity and capitalization ratio
257	Identity and description of management incentive plans
258	Major goals, strategy, and factors that are critical to successfully implementing strategies
259	Methods of conducting the business
260	Mission, broad objectives, and strategy to achieve broad objectives
261	Ability of new companies to enter the industry
262	Ability of substitute products or services to displace those of reporting company
263	Company's relationships with competitors and their positions within the industry
264	Changes in markets, competition, or technology (identity, source, and sustainability)
Nineteen: Disclose of Customers Information	
265	Geographic concentrations in the sales base of a company
266	Technological and regulatory changes that may affect the market
267	Marketing and distribution
268	Large increases or decreases in the proportion of products or services sold to the largest customers
269	Major contractual relationships
270	Market acceptance-changes in prices, volumes, and products and reasons why
271	Market penetration and quality
272	Measures of customer satisfaction
273	Relative bargaining power of customers
Twentieth: Disclose of Employee Information	

Vol.9, No. 1, pp.23-84, 2021
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274	Total number of employees
275	Category of employees by sex
276	Employees on a permanent or temporary contract
277	Average compensation of employees
278	Policy on employee training
279	Amount spent on training
280	Number of employees trained
281	The safety and welfare of its employees?
282	The ethic or moral rules for employees in annual report
Twenty-first: Disclose of Website Information	
283	Whether company has corporate website that discloses public information (including detailed financial data) on website?
284	Whether company discloses shareholders annual report on corporate website?
285	Whether company discloses public information (including detailed financial data) in English on website?
286	Whether company discloses shareholder meeting information in English on corporate website?
287	Whether company discloses the reports of monthly revenue and the monthly revenue for the previous 24 months on corporate website?
288	Whether company discloses the compliance of exchange rule regarding the qualifications of appointing independent directors on corporate website?
289	Whether company discloses execution items of board meeting on corporate website?
290	Whether company discloses complete meeting minutes of board meeting on corporate website?
291	Whether company discloses dividends and stock price information on corporate website?
292	Whether company discloses material information on corporate website?

Vol.9, No. 1, pp.23-84, 2021
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293	Whether company provides shareholders Q&A function on corporate website?
294	Whether company discloses the audio or video recording throughout the conference of institutional investors on corporate website
295	Whether shareholders are allowed to exert their voting rights in writing or via electronic media and whether such voting methods and their execution situation are posted on corporate website
296	Whether company discloses the election regulation regarding the directors and supervisors to be elected are nominated by a nominating committee?
297	Whether company discloses corporate organizational structure, managers' positions, power, and their responsibility on corporate website?
298	Whether company discloses the organization and operation of internal audit on corporate website?
299	Whether company discloses corporate social responsibility on corporate website?
300	Whether company provide annual reports by second language on the web site?

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Vol.9, No. 1, pp.23-84, 2021
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Appendix (2): *EGX50* Companies

	Company
1	Arabia Investment
2	Cairo Investment Real estate
3	Ibn sina Pharma
4	MM Group
5	Orascom for construction
6	Orascom hotels and development
7	Emaar Misr
8	Edita Food Industries
9	Abu Qir for fertilizers and chemical industries
10	Alexandria mineral oils
11	Iron and steel
12	6th of October for development and investment - SODIC
13	El sewedy cables
14	Suez Cement
15	Eastern smoke
16	Egyptian chemical industries - kima
17	Arab cotton ginning
18	Egyptian kuwaiti holding
19	Cairo oils and soap
20	Egyptian electrical cables
21	Telecom Egypt
22	Egyptian resorts
23	Egyptian international pharmaceutical industries - EPICO
24	Oriental carpet weavers
25	Valley for tourism investment
26	Palm Hills reconstruction
27	South valley cement
28	Juhayna food industries
29	GB Auto
30	Ezz Steel
31	Dice readymade garments
32	Domty
33	Ramco to establish tourist villages
34	Sidi Kerir petrochemical
35	Obour Land food industries
36	Amer holding group
37	Talaat Mustafa holding group
38	Nasr City for housing and development
39	Cleopatra Hospital
40	Heliopolis housing and reconstruction
41	Egypt Aluminum

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Appendix (3): *Shareholders Protection Index (Spi) Components*

Disclose of:	
1	Corporate Governance Guidelines
2	Availability of a code of conduct and business ethics
3	Contents of the Code of Conduct and Business Ethics
4	Total voting rights for each equity share
5	The method by which shareholders nominate board members
6	The way in which the shareholders hold extraordinary general assembly meeting
7	Procedures for raising inquiries to Board of Directors
8	The procedure for submitting proposals in the general assembly of shareholders
9	Official dividend policy
10	Recommended dividend policy
11	Last shareholder meeting
12	The percentage of capital required to hold an extraordinary general meeting of shareholders
13	Calendar of important dates for shareholders
14	General assembly meetings published on the website
15	Availability of detailed press releases covering the latest company events
16	Information disclosure policy
17	Any agreements related to the existence of formal voting blocks
18	Powers of the general meeting of shareholders general assembly to make actual changes
19	Banning multiple voting rights
20	Shareholders right and Mechanisms for opposing decisions of shareholders general assembly
21	The extent to which absent shareholders from the shareholders 'general assembly meetings can vote through a deputy
22	The extent to which shareholders are able to exercise first right to purchase new shares
23	The extent to which shareholders owning ten percent or more who object to fundamental changes by managers can exercise their legal right to challenge decisions through the courts or request the company to purchase their shares