

The Impact of Voluntary Disclosure Level on the Cost of Equity Capital in Tunisian's Listed Firms

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Abstract : This paper treats the association between disclosure level and the cost of equity capital in Tunisian's listed firms. This relation is tested by using two models. The first is used for testing this relation directly by regressing firm specific estimates of cost of equity capital on market beta, firm size and a measure of disclosure level. The second model is used for testing this relation by introducing information asymmetry as mediator variable. This model is suggested by Baron and Kenny (1986) to demonstrate the role of mediator variable in general. Based on a sample of 21 non-financial Tunisian's listed firms over a period from 2000 to 2004, the results prove that greater disclosure is associated with a lower cost of equity capital. However, the results of indirect relationship indicate a significant positive association between the level of voluntary disclosure and information asymmetry and a significant negative association between information asymmetry and cost of equity capital in contradiction with our previsions. Perhaps this result is due to the biases of measure of information asymmetry.

Keywords : cost of equity capital, voluntary disclosure, information asymmetry, and Tunisian's listed non-financial firms

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