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**Corporate Voluntary and Mandatory Disclosure: Evidence from Georgian Companies**

Abstract

*The main idea of this paper is to check the level of disclosure in the annual statements of Georgian companies and to assess the speculated effect of various company peculiarities on the amount of either voluntary or mandatory disclosure. A disclosure list containing 35 items were established to check the amount of disclosure in the 2018 annual statements of 50 firms. The relationship between the amount of disclosure and various firm peculiarities was analyzed by the means of Ordinary Least Square regression.*

**Keywords:** *Voluntary Disclosure, Mandatory Disclosure, Dindex,*

**Introduction**

The role of disclosure in corporate governance is of upmost importance(Richard B. Smith, 2001). In the recent years, companies in accounting, finance and non –financial companies acknowledge the importance of mandatory or voluntary disclosure. Disclosure provides companies to improve the business environment and keeps investors from any kind of financial crimes or fraudulent situation. Voluntary or mandatory disclosure provides more transparent and accountable information about the organizations existing in Georgia, which open the ways for the further investments in the country. The foreign investors need more public information about the firms’ annual reports or activities for their confidence to make investments. As it is well defined that annual reports are essential parts of financial communication strategy to attract and thus retain investors. Hence it follows too many researches have been conducted by different researchers to study the level of disclosure as a whole.

Recent increasing interest in disclosures have been improved in nowadays capital market. The prevailing concerns about the globalization and the stock market keeping standards have enlarged the worry and paid more attention to capital market participants for increased information above the least legal needs in order to help the of the decision making process (Berradino, 2001). Precarious situation in finance and corporate embarrassments have affected and commanded the corporate administration reform to the importance of the supervisory program (Johnson et.al.2000). Companies have done their best to encourage their management procedures and increase collective responsibilities. Corporate management is described as the plan by which the organizations are organized and managed (Cadbury, 1992).

One of the earlier studies conducted in the USA by Singhvi and Desai (1971) reported that the quality of corporate disclosure in annual reports significantly effects the range and the quality of investment choices made by the investors. Other researches held in Sweden explained the same important relationship between the number of variables and voluntarily disclosure (Cooke, 1989).

In many countries disclosure is regulated by the securities law. However, many companies voluntarily disclose more information beyond what is moderated by the law and whatever is mandatory. Such kind of the regulations were basically helped companies to avoid financial scandals and crimes. (Fiametta Brogia, 2005, June). A number of studies have been held about releasing information publicly. Most of them focus on the firm’s specific characteristics and main determinants of disclosure, such as: Institutional / Corporate ownership, ownership diffusion/dispersion, Independent directors, Board size, Corporate Governance Index of the particular countries, Listing age, Firm size, Profitability, Leverage, Auditor size (Ali Uyar, Merve Kilic, Nizamettin Bayyurt, 2013).

John K Kourtis (2005) examined the association between the level of disclosure and the cost of equity capital. They found that the lower level of disclosure causes the low level of confidence of investors, which affect its side causes the lower dividend payouts, and finally reduces the cost of equity capital as a result.

Jere R Francis, K Kurana and Raynolde Pereira (2005), applied 34 countries as a sample for companies which are externally financed. These companies disclosed extremely a lot information about them charges lower cost of external financing that causes reduced cost of debt and equity capital. Mckinnon and Dalimunthe (1993) investigated economical motivation of voluntary disclosure among the Australian listed companies, their results have shown that voluntary disclosure aggressively reply to the combination of ownership.

In 2001, Simon and Kar Shun studied Hong Kong listed companies to find any evidence of association between the voluntary disclosure and corporate governance. Their findings indicated that enhanced, improved management of board of directors could encourage voluntary disclosure of information

The rest of paper follows as methodology and data collection and model and equations are explained, lastly findings are explained.

**Methodology and Data Collections**

The sample of the research includes Georgian companies from both manufacturing and service types. Annual reports of the companies are collected from Georgian Stock Exchange. Sample of companies initially 56 companies. But some companies does not provide enough data (missing of some necessary information). Hence, final sample in the theses includes 50 companies. I also asked companies to provide annual reports of those companies by the e-mail. Unexpectedly none of these companies replied positively. Having downloaded the annual reports of companies for the year of 2018, I have checked the financial position, thus the level of disclosure of 50 Georgian Joint stock companies, those covered several industries, particularly manufacturing, construction-repairing, cement, agriculture (they are marked as # 1); service, electricity, communication (marked as # 0).

**Dependent variable**

The main goal of study was to carefully choose the data those are believed to appear in annual financial statements which would be useful in measuring the disclosure level. Such data should be voluntarily revealed and at the same time it should be significant for the shareholders as well. That is why disclosure item are chosen carefully. It is very hard to assess the nature of disclosure index in Georgia. There are a number of institutions those estimate disclosure quotation in various countries. None of them exist in Georgia.

Disclosure index was formulated as a benchmark for assessing the amount of disclosure. It is used to calculate the data enclosed in the annual statements of the corporations. The formulation of the disclosure index depends on the data given in the annual financial statements prepared for the shareholders from the side of the companies. Financial statements act as a broadly approved alternate for the amount of disclosure supplied by the company. Knutson (1992) considered the annual report as the most important of all the documents, according to him all other financial reports were helpful, secondary and auxiliary to it. It is likely that there are various means for revealing information publicly, for example TV broadcasts, magazines and journals. Nevertheless, confidence of such means of voluntary disclosure suggest some kind of complications. Shortly, the annual reports are key target of voluntary disclosure index as they are usually considered to be one of the most relevant instruments to reveal information.

The items of data are counted by dichotomous policy which puts a number of 1 if company reveals an item in the annual reports and puts a number of 0 if it does not. Entire disclosure index is then calculated for each corporation as a proportion of the entire disclosure number to the highest potential disclosure by the company. Correspondingly the disclosure index (DINDEX) was computed as follows:

DINDEX =

Where:

dj is 1 when the item j is disclosed

0 when the item j is not disclosed

n is the number of items

Hence DSCORE=Log (DINDEX/1-DINDEX) are have applied as the dependent variable in this paper.

DSCORE= Log () is used as the dependent variable in the all models.

**Independent / explanatory variables**

A company’s disclosure level can be impacted by perceptive, behavioral, financial, economic, governmental, constitutional, corporate and by some other determinants. It is effected by the firm characteristics as well. In this paper, focus of disclosure depends primarily on a set of variables collected from financial data that is reachable in their annual reports.

Independent variables can be categorized in two basic characteristics; they are: Firm specific characteristics and Corporate Governance related variables (Jensen and Meckling, 1976); the first one includes the following variables: Firm size, Leverage, Firm age, Profitability, Liquidity, Sales, Return on equity. While corporate governance related variables contain the following ones: Independent directors, Audit size, Board size, Ownership structure, Industry type.

**Model of equations and development**

Wallace .et. Al (1994) used a matched-pair analytical investigation to evaluate the distinction among the amount of average disclosure of various examples. Cross sectional regression analysis was recommended by Chow and Wang-Borne in 1987. Lang and Lundholm in 1993 and Wallace et. al. in 1994 introduced an ordinary least square (OLS) after converting repetitive variables into a list of numbers. Another paper of Camfferman and Cooke (2002) reinforced application of unranked OLS rather than the ranked one.

Taking into consideration the above mentioned views current research supports usage of unranked OLS. Ordinary Least Square regression analyze was applied in this paper, in order to check the relationship between the specific-related explanatory variables and the amount of disclosure. As a result the subsequent model is provided:

Ordinary Least Square (OLS) and Two-Stage- Least Squares (2SLS) regressions are employed in the current paper to see the association between the explanatory variables and voluntary disclosure level like many other studies in the emerging countries , developed countries (Uyar., Kilic., & Bayyrt, 2013;Patelli & Prencipe, 2007).In the regression models below I tested the Durbin-Wu-Hausman Test for endogeneity problems for variables. Endogenity is a problem explained as if one or more of explanatory variables has a correlation with error terms. Not any endogenous problems in the variables are seen. To employee endogeneity problem, I also collected two more variables like owner’s equity and net income which mostly effect on ASSETS and SALES variables not related with error term and dependent variable (DSCORE). Result of P value (0.645, 0.458) were greater than 5 level and 10 level significance. I accept the null hypotheses (N0: variables are exogenous), therefore OLS will be consistent estimates in my theses. If there is endogeneity, there should be arranged some instrumental variables that are association with explanatory variables, but not with dependent variables and error term of main equations. Instruments are exogenous variables and not correlated with error term. Endogeneity is tested by using t-test of the residuals in the all my regression models. Accepting the null hypotheses means that the effects of endogenous equation is biased and instrumental methods of equation should be employed. The same instrumental variables are used for ASSETS and SALES, because there are high and significant correlation between these two variables.

Ownership diffusion is difficult to calculate in Georgia. Because many companies doesn’t report ownership structure of their company in the absence of disclosure requirement and capital market did not develop well yet, therefore there are not much individual ownership of shares in Georgia. Additionally, Georgian companies like secrecy and feels afraid of other factors. Consequently, I only managed to measure a few firm’s proportion of shares hold their main owners. As a result mentioned above, ownership diffusion and institutional ownership are omitted in my regressions.

The reasons mentioned above consequently force me to implement Ordinary Least Square (OLS) regressions. Table 2 Pearson correlation matrix reveal that there are multicollinearity problem between ASSETS and SALES, ASSETS and BSIZE, these pairs of variables are not used in the same models. As a result the subsequent, four different models are provided:

DSCORE=β0+β1 SALES+β2 ROE+β3 LEVER+β4 AUDITOR+β5 BSIZE+β6 INDIR+β7 LAGE+β8X8+β9CURRATIO+e

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Where:

DSCORE= Log ()

Where Y is disclosure Index level (DINDEX) and VDINDEX is the ratio of total items disclosed to maximum score of disclosure index for every companies in the sample;

* ASSETS=Total assets;
* LEVER= Leverage ratio calculated by total liabilities over total assets;
* SALES=Total sales revenue;
* ROE= return on equity calculated as net income divided by total equity;
* LAGE= firm age;
* CURRATIO= Liquidity ratio measures as current assets divided by total assets;
* INDIR =Proportion of independent directors on the board;
* BSIZE = number of board members;
* AUDITOR= dummy variable for audit size, that is scored as 1 for big 5 and 0 if not
* INDUST= Industry type

**Hypotheses**

H1: There is an important positive correlation between the firm capacity and the amount of transparency.

H2: There is a positive association between the firm leverage and the amount of transparency.

the companies with the lower sales are obliged to present only income statement tax return files. Hence it follows:

H3. The extent of disclosure is positively related to the firms’ sales.

H4. Profitable companies are more willing to disclose information publicly than the companies with low profit.

H5. Companies with higher ROE are more willing to disclose information publicly than the companies with low profit.

H6: There is an important positive correlation between the firm age and the amount of disclosure.

H7. There is an important positive association between the firm liquidity and the extent of disclosure.

H8. There is a positive correlation between the independent directors and the extent of transparency.

H9. There is a positive correlation between the board size and the extent of information transparency.

H10. There is a positive correlation between the institutional ownership and the extent of information transparency.

H11. Industrial companies show a bigger amount of disclosure than non-industrial ones.

H12. The level of disclosure is bigger for the firms those are audited by a big five audit companies.

**Univariate Analysis and Findings**

My research sample consists of 56 companies in my research are composed of 22 non-manufacturing and 28 are manufacturing companies.. I employed manufacturing firms or non-manufacturing firms as dummy variables (INDUST) in the equations

Table 1 reports firms disclosure scores and average score. On average, firms publish 38% of voluntary items of information. The highest and lowest disclosure scores are 77 and 20, and mean value is 38%.

Most of the firms are profitable, but there are also unprofitable companies (10 companies).The average return on equity (ROE) is 19%, which is quite high. Firms in Stock Exchange of Georgia are dominating sector in Georgia. The numbers for firm size (SALES and ASSETS) are also given, average size in terms of assets is 4,505,704 GEL and maximum size in terms of assets is 103,000,000 GEL.As sales mean is 1,281,903 GEL. The average of audit is very weak. Its mean value is 29 %, indicating that small number of the firms are clients of Big-4 auditing firms. Leverage ratio figure 37% on average indicate that the firms are not highly leveraged. That might explain why return on equity ratios are high on average. The board size moves from 10 to 1 and its average is 3. 8 firms are having only 1 or 2 people on the board. On average, 76 % of board members are independent directors. This ratio is quite high the average ratio found in other studies as Chau and Gray (2002) and Uyar, Kilic and Bayyurt (2013), respectively 35 % and 5%. The average age of firms is 19 years. Liquidity ratio illustrate that 45 % of assets are short-term. This ratio is quite high as well, showing no any kind of solvency problems in the firms.

**Table 1.Voluntary Disclosure Index (VDINDEX)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Company Name** | **VDINDEX** | **Company Name** | **VDINDEX** |
| JSC Teliani Valley | 69% | Isani-Kartu | 29% |
| JSC Almatea | 37% | Kutaisi Autoservice Rashi | 34% |
| JSC Amtse | 49% | Liberty Consumer | 71% |
| JSC Andza 94 | 40% | Maglivmsheni | 31% |
| JSC Aqati | 34% | Mamuli | 34% |
| Avtoshemketebeli | 29% | Matsne | 43% |
| Bambus Narti | 40% | NINO | 31% |
| Bank of Georgia | 74% | Oqsino | 43% |
| Charkhmshenebeli | 43% | Poti | 43% |
| Ekrani-Lilo | 31% | Saktelephonmsheni | 29% |
| Caucasus Energy & Infrastructure | 71% | Saktsivprodukti | 40% |
| Charkhmshenebeli | 40% | Samto qimia 2000 | 40% |
| Elaqtroavtomati | 26% | Saqpetqmrewvi | 40% |
| Electric engine plant | 23% | Saqsashenmetsniereba | 20% |
| Eleqtroizoliti | 43% | Sarajishvili | 29% |
| Hotel Likani | 37% | Tbilisi School Inventory Factory | 23% |
| Industria-21 | 29% | Tbilkhelsatsko | 26% |
| Industria-Investi | 37% | Tbillitonnatsarmi | 20% |
| Janmrteloba | 29% | Telasi | 69% |
| Kashanuri | 29% | Trading House Kid's World | 31% |
| Kutaisi Confectionary | 26% | Uksovadi Ksovilebi | 20% |
| Waterproject | 0.4 | **Overall Average of Disclosure Score** | **38%** |

**Pearson Correlation Matrix**

In order to control multicollinearity, Pearson correlation are applied among the explanatory variables independent variables. Multicollinearity (also collinearity) appears when two or more predictor variables in a multiple regression model are highly correlated, meaning that one can be linearly predicted from the others. Consequently, regression will be inconsistent. Correlation and VIF factor of variables are tested in the regression. To solve the multicollinearity, correlated variables should be removed from the model. If there exist two or more factors with a high VIF, removing one from the model will solve the problem of multicollinearty. As a result, three different equations are developed. Table 2 reports the results of correlation between explanatory variables. Association between ASSET and SALES, BSIZE and ASSET are 0.9052 positive and significant, 0.6149 positive respectively at 5 level significance. Therefore these two highly associates are not used together.

According to Table 3.4the disclosure index does not have significant correlation with majority of variables. It has positive and significant correlation with sales, assets and board size.

Voluntary disclosure index (DSCORE) unexpectedly has negative, but insignificant correlation with big-5 auditor firms, current ratio, independent directors and age of firms. Findings in analysis of regressions reveal, coefficient of these variables are insignificant. It means that being a client of 5-big auditor firms does not necessarily enforce firms to disclose more information to public. Correlation of age of firms and independent are contradict with previous studies and expectation. As sample firms in theses get older and more independent, disclosure score is getting less.

**Multivariate Analysis**

I prepared four ordinary least square (OLS) regression model for all variables. The result of multiple regression are reported in Table 3 when all variables are included in the regression, none of the variables are statistically significant**.** None of regression model is significant (p>0.005). The adjusted coefficient of indications( adjusted R squared) in all four models performed weak indication, referring to 9.9% in model 1, 6.5% in model 2, 10% in model 3 and 11% in model 4 of the variation in the dependent variable is explained by variation in the explanatory variables.

**Table 2. Pearson Correlation Matrix**

|  |
| --- |
| **DSCORE SALES ASSET ROE LEVER AUDITOR CURRATIO**| **INDIR** **LAGE**  **BSIZE** |
|  |
| ``**DSCORE** | 1.0000 |
| **SALES** | 0.1277\* 1.0000 |
| **ASSET** | 0.1638 0.9052**\***  1.0000 |
| **ROE** | 0.0183\* 0.2499 0.0041 1.0000 |
| **LEVER** | 0.0261 -0.1237 -0.1009 0.0517 1.0000 |
| **AUDITOR** | -0.1278 0.1931 0.2645 0.0154 -0.1408 1.0000 |
| **CURRATIO** | -0.0837 0.1810 0.1866 -0.0807 -0.1147 0.0637 1.000 |
| **INDIR** | -0.0597 -0.3379**\*** -0.2387 -0.3838**\*** -0.0749 0.2110 -0.044 1.000 |
| **LAGE** | -0.0560 -0.1626 -0.3665**\*** -0.0666 0.0498 -0.1159 -0.122 -0.2897 1.000 |
| **BSIZE** | 0.3325**\*** 0.3494**\*** 0.6149**\*** 0.3382**\*** -0.0263 0.1976 -0.269 0.0410 -0.1675 1.000 |

In model 1 and 3, the effect of sales on voluntary information disclosure level as firm size was analyzed**.** Results reported no significant relation between SALES and DSCORE in both models. But sign of coefficient is positive in model 1 as expectedly and negative in model 3. Thus, Hypotheses 3 is rejected. This result is contradictory to the finding of (Uyar, Kilic and Bayyurt, 2013; Wallace et al, .1994). Size of firms does not effect on disclosure level. It is explained by the reason that small or large firms are not well organized and structured, and not have developed information system and operating activities. All these facts doesn’t make any difference between large and small firms to disclose information. There are no general requirement procedures for non-regulated entities to file or publish their financial statements, in contract to regulated institutions have to publish financial statement with their respective regulators. Another size indicators ASSET does not provide significant relation with DSCORE. But its sign is positive as expected. H1 Hypotheses regarding firm size is also rejected.

Next tested variable is profitability (ROE) has only model 1 has positive and significant association (0.436) at 1 level significance with voluntary information disclosure (DSCORE). Hence, Hypotheses 4 in association to profitability of firms is accepted in model 1. But its relation to voluntary disclosure in model 2, 3 and 4 are rejected. According to result of model 2, 3 and 4, these results can be explained as firms in Georgia concern that information disclosure might deteriorate their position in market, by providing more firms’ information.

In the second hypothesis, findings shows that there is a negative and significant association between LEVER and DSCORE in model 1 and 2, but positive relation with DSCORE in model 3 and 4. Significant and negative relationship between LEVER and DSCORE indicate that the leveraged firms willing disclose less voluntary information expectedly. Because firms wants stakeholders to know solvency of company. In 3 and 4 model doesn’t provide significant relationship between these two variables. So we reject the Hypotheses according to model 1 and 2. This result of variable confirms the finding of (Uyar, Kilic and Bayyurt, 2013). It does not support the studies (Chau & Gray, 2010) which provide either positive or no significant association. According to signaling theory, lover leveraged companies want to take attention to their financial structure position by giving less disclosure information to public. In other saying, high leveraged firms does not want to disclose less information for their indebtness so that their image is not suffered.

The age variable is not significant. That means that level of disclosure is not affected by age of companies’ years. The other many multiple variables is not significant. Probably Georgian firms are more confronted with the mandatory information rather voluntary information. Hypotheses 6 is rejected. This finding goes with other research likewise Haniffa and Coke (2002). As expected new companies should need to disclose more information to reduce doubt and increase confidence of stakeholders.

As seen from result of model 1, 2, 3 and 4, board size has significant association with DSCORE. Hence, hypotheses 9 is accepted. But its sign is positive in all models as expected. This can lead that board size is a fact to influence voluntary disclosure level. But findings don’t show efficiency of board’s working which is more important.

In another hypothesis 8 that measures association between independent director (INDIR) and voluntary disclosure level, no significant association among them are presented. That means that number of independent director in firms is not a fact to provide more information in Georgian firms. Hence, Hypotheses 8 is rejected. This findings does not support (Cheng and Gray (2010) but supports Ho and Wong (2001) and Eng and Mak( 2003). According to agency theory, more independent manager in the board of company doesn’t help to reduce conflict of interest and corporate governance problems.

Industry type variable has positive and significant association with DSCORE. In many other research, this variable is not tested. It may be explained as that manufacturing companies are more intended to disclose more voluntary information. Hence, Hypotheses 11 is accepted.

In the last test report, hypotheses H12 is test to measure the association between AUDITOR and DSCORE.I could not find significant relations among these variables in all models. Being client

**Table 3. OLS Regression results (Asset & Sales)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **(Model 1)** | **(Model 2)** | **(Model 3)** | **(Model 4)** |
|  | **DSCORE** | **DSCORE** | **DSCORE** | **DSCORE** |
|  | **(OLS)** | **(OLS)** |  |  |
|  |  |  |  |  |
| **ASSET** | - | 3.42e-09 |  |  |
|  |  | (0.41) |  |  |
|  |  |  |  |  |
| **SALES** | 4.67e-08 | - | -2.46e-08 |  |
|  | (1.10) |  | (-0.98) |  |
|  |  |  |  |  |
| **ROE** | 0.436\*\* | 0.347 | 0.139 | -0.0998 |
|  | (1.76) | (1.42) | (0.96) | (-0.71) |
|  |  |  |  |  |
| **LEVER** | -0.272\* | -0.246\* | 0.159 | 0.148 |
|  | (-2.51) | (-2.65) | (1.25) | (1.18) |
|  |  |  |  |  |
| **AUDITOR** | 0.334 | 0.328 | -0.167 | -0.168 |
|  | (1.58) | (1.52) | (-1.34) | (-1.35) |
|  |  |  |  |  |
| **CURRATIO** | -0.322 | -0.256 | -0.0159 | -0.0452 |
|  | (-0.91) | (-0.71) | (-0.08) | (-0.22) |
|  |  |  |  |  |
| **INDUST** | 0.409\* | 0.388\*\* | -0.229 | -0.211 |
|  | (2.11) | (1.97) | (-2.02) | (-1.88) |
|  |  |  |  |  |
| **INDIR** | 0.446 | 0.372 | -0.183 | -0.139 |
|  | (1.04) | (0.87) | (-0.73) | (-0.56) |
|  |  |  |  |  |
| **LAGE** | 0.0326 | 0.0324 | -0.0202 | -0.0170 |
|  | (1.27) | (1.11) | (-1.34) | (-1.16) |
|  |  |  |  |  |
| **BSIZE** | 0.152\* | 0.139\*\* | 0.0846\* | 0.0698\* |
|  | (2.44) | (2.03) | (2.31) | (2.09) |
|  |  |  |  |  |
| **Intercept** | -0.0822 | -0.0308 | 1.109\* | 1.034\* |
|  | (-0.10) | (-0.04) | (2.40) | (2.27) |
| ***F-value*** | 1.44 | 1.28 | 1.48 | 1.55 |
| ***Adjusted R2*** | 0.0996 | 0.065 | 0.1077 | 0.1087 |
| ***Significance*** | 0.2198 | 0.2923 | 0.2044 | 0.1855 |

*t* statistics in parentheses \* *p* < 0.05, \*\* *p* < 0.01, \*\*\* *p* < 0.001

Big-4 auditing companies is not a fact to disclose more voluntary information. Therefore, Hypotheses H12 is rejected. Finding in this test agree with the results of Wallace et al. (1994) and Chau and Gray (2010). This can be interpreted as that majority of firms in list of companies are not clients of Big-4 auditing companies and even if they are clients of them, large auditing companies do only audit financial statements.

Overall, the findings of paper conclude that there is much variety among the four models. The results of all models in theses report that F-ratio is very low, ranging from 1.55 (p> 0.05 to 1.28 (p>0.05). These tested equations do not support significance of all models. Adjusted –R square values are also very low, between 0.1087 and 0.065 for all models, meaning that the explanatory variables do not explain just 10 % and 6.5% of variation in voluntary disclosure index.

**Conclusions**

In order to keep high quality disclosure and transparency and to build confidence of investors and creditors, it is important to comply with the rules and regulatory authorities and to provide voluntary information. Georgia, in this sense, has not yet achieved important regulation and structure. Lack of readily available financial information prevent decision-making, lowers the quality of underwriting and affects the risk management process of stakeholders, like investors, creditors and international fund providers. As seen from results of all regression, due to lack of information provided there is a significant association between dependent variable (DSCORE) and all explanatory variables. The significance of findings might be better and consistent with finding in other research papers, if some other detrimental variables included into regressions. But, as seen from literature review, explanatory variables in this paper are drawn mostly from other papers.

Results report that Georgian firms’ disclosure level is at very low level. Lacking of corporate governance practice and enhanced capital market contributes a lot to the harming of voluntary disclosure activities of the firms. As a result, there is a need to enhance regulation and practice of information disclosure standards to average level or even higher level.

In addition, this research has some indication for firms, auditors, investors, and regulators. All of these stakeholders in business world play important role in developing and improving the transparency and disclosure practices of companies. Capital Market board should be established and firms in Georgia should be aware of advantages of information disclosure such as having easy fund internationally and from domestic fund providers. Capital market should be enhanced and functioned more effectively, so that many idle many flow to firms in sectors.

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