LEX LOCALIS-JOURNAL OF LOCAL SELF-GOVERNMENT
ISSN:1581-5374 E-ISSN:1855-363X
VOL. 23, NO. S6(2025)

GOVERNANCE THROUGH TRANSPARENCY: HOW INFORMATION DISCLOSURE SHAPES THE COST OF CAPITAL IN IRAQ

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Abstract:
This paper investigates the impact of mandatory and voluntary information disclosure practices on the cost of capital among companies listed on the Iraq Stock Exchange, and situates these dynamics within the broader context of local governance and regulatory policy. Using a quantitative and applied research design, data from 33 listed firms during 2019–2023 were analyzed through multivariate regression models to assess the effects of disclosure on financing costs. The findings demonstrate that enhanced disclosure practices significantly reduce the cost of capital, thereby reinforcing transparency, financial accountability, and investor confidence. These results hold important implications for policymakers, regulators, and local government authorities concerned with strengthening corporate governance frameworks, improving financial reporting standards, and promoting efficient capital markets. The study concludes that effective disclosure policies and robust regulatory frameworks not only lower financing costs but also contribute to sustainable development of sub-national financial systems and local economic governance.

Key Word: Voluntary Disclosure, Cost of Capital, Transparency, Corporate Governance, Iraq Stock Exchange, Local Economic Governance

1. Introduction

Sustainable economic development in any country depends on a transparent and well-functioning financial system that can attract both domestic and foreign investment. Achieving this requires a competitive environment in which timely, reliable, and accessible information is available to all market participants (Billings & Capi, 2023). High-quality information supports informed decision-making, strengthens accountability, and ensures efficient resource allocation, which are essential for economic growth and market stability (Hassas Yeganeh & Kheir-Elahi, 2018).

Financial transparency is particularly critical in emerging markets like Iraq, where capital markets are still developing and trust in institutions remains fragile. Investors, regulators, and other stakeholders rely on accurate and timely data to make informed decisions (Mehrani & Noroozi,S , 2015). Companies that fail to provide transparent reporting face reputational risks, loss of investor confidence, and reduced market credibility, ultimately impairing liquidity and long-term market development (Hassas Yeganeh & Kheir-Elahi, 2018).

Information disclosure reduces uncertainty, which in turn lowers expected returns and the cost of capital (Khaleghi Moghadam & Khalegh, 2008). Disclosure practices are generally divided into two types, mandatory disclosure, required by regulatory authorities, and voluntary disclosure, provided at the discretion of firms beyond legal obligations. Both forms are vital for reducing information asymmetry, improving market efficiency, and fostering investor trust, which collectively influence firms' financing costs and overall financial performance.(Anaplan.(2025).

Mandatory disclosures, such as financial statements and annual reports, are enforced by regulatory bodies like the Iraq Stock Exchange to ensure baseline transparency and investor protection (Shefali Dwivedi, 2024 ,Guangrui Liua & Hao,2024). Evidence suggests that effective mandatory disclosure reduces perceived risk and lowers the cost of capital (Shefali Dwivedi, 2024; Stephen Owusu-Ansah,1998).

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However, overly stringent enforcement may unintentionally discourage additional voluntary disclosures, limiting the flow of supplementary information (Gunhee Lee et al, 2024; Ahmad et al., 2015).

Voluntary disclosures allow firms to provide non-financial metrics, forward-looking projections, or strategic information, enhancing investor confidence and potentially reducing financing costs (Yossi Diantimala et al., 2022). Research shows a negative relationship between voluntary disclosure and the cost of capital, as such transparency lowers perceived investment risk (Shefali Dwivedi, 2024). Yet, voluntary disclosures may be selective, with companies emphasizing favorable information, which can raise concerns about reliability and completeness (Guangrui Liua & Hao,2024).

The interplay between mandatory and voluntary disclosures creates a complex dynamic influencing firms' cost of capital. While mandatory disclosures establish a foundation of transparency, rigid frameworks may limit expansive voluntary disclosures, potentially reducing the overall effectiveness of information dissemination (Gunhee Lee et al, 2024). Encouraging a balanced approach that integrates both mandatory and voluntary disclosures is therefore essential for enhancing market efficiency, investor trust, and reducing financing costs.

Despite significant research in developed economies, there is limited evidence on how disclosure practices affect the cost of capital in developing countries. Iraq provides a particularly relevant context for this investigation, where improving transparency can strengthen governance, enhance capital market efficiency, and support sustainable economic development. Motivated by this gap, the present study examines the effects of mandatory and voluntary disclosures on the cost of capital among companies listed on the Iraq Stock Exchange from 2019 to 2023.

The remainder of the paper is structured as follows: Section Two reviews the theoretical foundations, literature, and research hypotheses. Section Three presents the study population, sampling methods, and research models. Section Four provides descriptive statistics and estimation results, and Section Five discusses the findings and offers directions for future research.

2. literature review and hypothesis development:

Financial and non-financial information disclosure is a key mechanism for corporate accountability and governance. Beyond mandatory reporting, many companies voluntarily disclose information driven by ethical considerations, market signaling, or the desire to enhance transparency (Qiu et al., 2021). Voluntary disclosure, particularly of non-financial information, helps reduce information asymmetry, strengthens market trust, and can enhance firm value.

Two theoretical frameworks underpin firms' disclosure behaviors. Agency theory, highlights conflicts between principals (shareholders) and agents (managers), which create agency costs (Jensen & Meckling, 1976). Voluntary disclosure and transparency are effective tools to mitigate these costs (Hassas Yeganeh & Marfou, 2012). Signaling theory, suggests that disclosure serves as a signal to the market, reducing uncertainty and information gaps (Hang et al., 2021). Additionally, legitimacy theory, posits that organizations require social acceptance to survive; responsible and transparent disclosure strengthens legitimacy in the eyes of stakeholders and enhances corporate credibility.

Voluntary disclosure encompasses financial, strategic, and non-financial information provided beyond mandatory requirements (Dechow et al., 2022). Examples include management earnings forecasts, stock price projections, ESG performance, and operational or strategic insights (Lee & Yang, 2022). Empirical research shows that voluntary disclosure can improve stock liquidity, reduce the cost of capital, enhance earnings quality, and increase information intermediation (Yang, 2021). The extent and quality of disclosure are influenced by disclosure costs (Zhang, 2001), corporate governance mechanisms (Ho & Wong, 2001), managerial characteristics (Bamber et al., 2020), and sustainability performance (Khan et al., 2022).

Regionally and globally, studies provide consistent evidence of the benefits of voluntary disclosure. For instance, Vardani (2023) found that voluntary disclosure in West Asian companies leads to positive market reactions, including higher abnormal returns, increased trading volume, and narrower bid-ask spreads. Botosan (2017) reported similar findings in the UK, showing that disclosure enhances

transparency and lowers the cost of capital, particularly for firms with fewer analysts. Comparable results have been observed in China (Hang et al., 2021) and Iran (Tablili et al., 2023), although the magnitude of the effects can vary depending on market and firm-specific conditions.

From a financial perspective, disclosure affects the cost of capital, including both debt and equity components, by influencing investors' perception of risk and the company's reputation . High-quality mandatory and voluntary disclosures increase credibility, reduce information risk, and consequently lower financing costs.

Building on these theoretical and empirical insights, this study integrates signaling and legitimacy theories to examine how voluntary and mandatory disclosure practices influence the cost of capital in the Iraqi capital market. Accordingly, the research hypotheses are formulated as follows:

Hypothesis 1: The extent of voluntary disclosure affects the cost of capital.

Hypothesis 2: The extent of mandatory disclosure affects the cost of capital.

3. Research Methodology

The study population consists of companies listed on the Iraq Stock Exchange over the five-year period from 2019 to 2023. To determine the final sample, companies that were listed prior to 2019 were selected. Firms operating in the banking sector, financial institutions, and investment companies were excluded due to their distinct nature. Additionally, only companies whose board of directors' reports were accessible—and which included sections on both voluntary and mandatory information disclosure—were considered. To enhance comparability, companies with a fiscal year ending on December 31 and those that did not change their fiscal year during the study period were included. Applying these criteria reduced the population to 33 companies, all of which were included in the final sample for analysis. the final statistical sample was established based on the information in Table 1.

Table 1. The number of companies

Companies Listed on the Iraqi Stock Exchange	Number of Companies
Total number of companies	**130**
Insurance and Banks	**(40)**
financial institutions	**(33)**
Non-disclosure of information	**(24)**
Total sample	**33**

Basic information and data for hypothesis testing were obtained from the Iraqi Stock Exchange database. The data analysis employed a panel data approach, incorporating both cross-sectional and longitudinal (year-to-year) dimensions. To test the hypotheses, multivariate linear regression analysis was used. Descriptive and inferential statistical methods were applied to analyze the data. Specifically, frequency distribution tables were utilized to summarize and describe the data. At the inferential level, the F-Limer test, Hausman test, normality test, and multiple linear regression analyses were conducted to evaluate the research hypotheses.

4. Research Model

the following model was used to test Hypothesis 1 and 2 .

$$COE_{i,t} = b_0 + b_1 MDS_{i,t} + b_2 VDS_{i,t} + b_3 MTB_{i,t} + b_4 MS_{i,t} + b_5 RET_{i,t} + b_6 SG_{i,t} + b_7 CCC_{i,t} + \sum_{2019}^{2023} Year + \varepsilon_{i,t}$$

4.1. The Dependent Variable

$\boldsymbol{COE_{i,t}}$: The cost of equity for company *i* in year *t* is calculated using the Gordon Growth Model. In this model, the cost of common equity (i.e., the expected rate of return required by common shareholders) is derived from the following formula:

$$r_{i,t}=\frac{DPS_{t+1}}{P_t}+g$$

where DPSt+1 is the expected dividend per share for the next year, Pt is the stock price at the end of year *t*, and g represents the expected growth rate. Since historical data are used, the dividend for the next year is estimated based on past dividend patterns. To calculate the growth rate g, the operational profit growth ratio for each year compared to the previous year is first computed, and then the expected growth rate is calculated as the average operational profit growth over the past three years.

The real cost of debt for company *i* in year *t* CODi,t is defined as the ratio of financial expenses to total liabilities.

4.2. Independent Variable

$\boldsymbol{MDS_{i,t}}$: Given that mandatory disclosures are clearly defined within the Iraqi accounting standards, and voluntary disclosure factors have been identified, this study proceeds to examine the first and second hypotheses. Using the checklist criteria presented in the previous section, relevant information on both voluntary and mandatory disclosures was extracted through content analysis of the board of directors' reports of the sample companies. For classification, summarization, and database creation, SPSS software was employed. The disclosure score for each indicator was calculated as the average score of the related criteria.

The disclosure items are broadly categorized into mandatory and voluntary disclosures, as detailed in Table 2. The scoring for each criterion was assigned as follows:

Disclosure Type	Description	Score
Quantitative or detailed disclosure	Includes detailed explanations, images, charts, or tables	**1**
Qualitative with brief explanations	Limited to one or two sentences	**0.5**
Not disclosed	Item is not disclosed	**0**

Table 2. The scoring for disclosure items

$\boldsymbol{VDS_{i,t}}$**:** In this study, a structured expert survey method was employed to identify and determine the components of voluntary information disclosure. This section of the research was designed to leverage the specialized knowledge of individuals well-versed in financial matters, capital market regulations, and corporate reporting. Accordingly, a questionnaire was developed based on the existing theoretical literature, findings from prior studies, and a review of disclosure guidelines issued by regulatory authorities. The questionnaire comprised an initial set of voluntary disclosure indicators, which were presented to the experts to assess their relative importance and priority.The expert panel consisted of a diverse group, including university professors specializing in accounting and finance, certified auditors, financial managers from companies listed on the Iraq Stock Exchange, and experienced professionals from the country's Securities Commission. Participants were selected based on criteria such as specialized education (minimum master's degree), relevant professional experience (at least five years in their respective fields), and familiarity with financial disclosure regulations and transparency practices.Upon collecting the responses, the data were processed using appropriate analytical methods for

group decision-making to determine the importance of each proposed disclosure indicator. Ultimately, this process led to the identification of a set of key voluntary disclosure components, which formed the foundation of the final research model.they appeared in the 22 selected articles, summarized in the table **3.**

Table 3. Content of Voluntary Disclosure Derived from Experts

Item No.	Description
1	Providing a comprehensive analysis of company performance, including challenges, opportunities, and future outlook.
2	Reporting customer satisfaction levels and quality of products or services offered.
3	Management explanations regarding financial and operational changes within the company.
4	Descriptions of ongoing R&D projects and their impact on the company's future growth.
5	Presentation of customer-centric performance indicators and changes in customer satisfaction.
6	Reporting key performance indicators for evaluating the efficiency and effectiveness of company operations.
7	Disclosure of human resource management policies, including staff training, skill development, and workforce retention programs.
8	Explanation of how structural changes within the company are managed.
9	Disclosure of changes in management structure and how different units of the company are overseen.
10	Disclosure of new internal regulatory policies or changes in quality control and monitoring processes.
11	Detailed information on organizational structure, including organizational charts and roles and responsibilities .

4.3. Control Variables

$\boldsymbol{MTB}_{i,t}$**:** The growth opportunities of company i in year t refer to the ratio of the company's market value to the book value of its shareholders' equity. This ratio reflects the market's expectations regarding the company's future growth and development potential.

Market Share($\boldsymbol{MS}_{i,t}$)**:** Market share is measured as the ratio of the company's revenue to the total revenue of the industry (Fakhari, 2010).

$\boldsymbol{RET}_{i,t}$=The stock return of company i in year t is defined as the difference between the stock price at the end of year t and the stock price at the end of year t−1, plus the cash dividends paid during year t. This total amount is then divided by the stock price at the end of year t−1**.**

Sales Growth ($\boldsymbol{SG}_{i,t}$) **:** It equals this year's sales minus last year's sales divided by last year's sales.

Cash Conversion Cycle($\boldsymbol{CCC}_{i,t}$)**:** In this study, the cash conversion cycle, accounts receivable period, inventory turnover period, and accounts payable period are considered as dependent variables (Zhang, 2001). The measurement methods for each variable are described as follows:

The cash conversion cycle is defined as the sum of the accounts receivable period and the inventory turnover period, minus the accounts payable period**:**

Cash Conversion Cycle=Accounts Receivable Period+Inventory Turnover Period−Accounts Payable Peri od

The accounts receivable period is calculated by dividing accounts receivable by total sales and multiplying the result by 365

$$\text{Accounts Receivable Period} = \frac{\textit{Accounts Receivable}}{\text{Total Sales}} \times 365$$

The inventory turnover period is calculated by dividing inventory by the cost of goods sold and multiplying the result by 365:

$$\text{Inventory Turnover Period} = \frac{\textit{Inventory}}{\textit{Cost of Goods Sold}} \times 365$$

The accounts payable period is calculated by dividing accounts payable by the cost of goods sold and multiplying the result by 365:

$$\text{Accounts Payable Period} = \frac{\textit{Accounts Payable}}{\textit{Cost of Goods Sold}} \times 365$$

5. Results

This study employs two models to examine the consequences of voluntary and mandatory information disclosure in companies listed on the Iraq Stock Exchange, covering the period from 2019 to 2023. The panel data set includes 33 companies during this timeframe. The analysis utilizes variables related to voluntary and mandatory disclosure, company performance, and relevant control variables. Descriptive statistics for these variables are presented in Table 4.

5.1. Data on Descriptive Statistics

The descriptive statistics reveal considerable variation in the financial characteristics and disclosure practices of companies listed on the Iraq Stock Exchange. The cost of equity (COE), with a mean of 0.092 and a relatively low standard deviation, indicates a degree of stability in investors' expected returns.

The financial reporting quality variable (AQ), calculated as the negative of the absolute value of the modified Jones model residual, has a mean of -0.279. According to this definition, values closer to zero reflect higher reporting quality. Therefore, less negative values indicate more transparent and reliable financial reporting among certain firms.

In terms of disclosure, the mean score for mandatory disclosure (MDS) is 13.246, compared to 7.268 for voluntary disclosure (VDS), highlighting a stronger emphasis on compliance with legal requirements over discretionary transparency. Control variables such as the market-to-book ratio (MTB) and market share (MS) show significant dispersion, reflecting variation in firm size and competitive positioning.

Both stock returns (Ri) and sales growth demonstrate high variability, signaling uncertainty in financial performance. The cash conversion cycle (CCC) also exhibits wide fluctuations, pointing to differences in operational efficiency across firms

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Table 4. Descriptive statistics of main variables

Varbilae	*Mean*	*Std.dev*	*Q1*	*Median*	*Q3*	*Min*	*Max*
COE	0.092	0.058	0.047	0.083	0.118	0.0012	0.259
MDS	13.246	0.789	9.000	13.000	15.612	5.000	23.000
VDS	7.268	0.794	4.000	7.000	8.000	3.000	10.000
MTB	3.258	0.028	2.367	2.417	4.086	2.352	19.918
MS	0.129	0.138	0.056	0.113	0.227	0.054	0.341
Ret	9.513%	20.865	-9.875%	4.089%	19.763%	-34.678%	84.348%
GS	0.179	0.868	-0.482	0.041	0.996	-0.987	2.865
CCC	3.265	0.031	2.362	2.422	3.987	2.352	19.919

5.2. Data Analysis and Main Results

Table 5 presents the correlation analysis of research variables. As the primary dependent variable, Cost of Equity (COE) exhibits a statistically significant negative correlation with both Mandatory Disclosure (MDS) ($r = -0.260$, $p < 0.01$) and Voluntary Disclosure (VDS) ($r = -0.240$, $p < 0.01$). This inverse relationship suggests that higher levels of disclosure—whether mandated or voluntary—are associated

with a reduction in the cost of equity capital. Furthermore, Accounting Quality (AQ) also shows a significant negative correlation with COE ($r = -0.180$, $p < 0.05$), indicating that improved financial reporting quality corresponds to lower equity costs. Collectively, these findings underscore the importance of transparency and reliable financial reporting in enhancing investor confidence and reducing perceived investment risk.

Table 5. Correlation analysis of research variables.

	COE	*MDS*	*VDS*	MTB	*MS*	*Ret*	*GS*	*CCC*
COE	**1.000**	**-0.260*** **	**-0.240*** **	**0.050**	**0.030**	**-0.160**	**0.020**	**-0.020**
MDS	**-0.260*** **	**1.000**	**0.110**	**0.170**	**0.280*** **	**-0.130**	**0.340*** **	**0.230*** **
VDS	**-0.240*** **	**0.110**	**1.000**	**0.118**	**-0.074**	**0.340**	**0.170**	**-0.080**
MTB	**0.050**	**0.170**	**0.118**	**1.000**	**-0.240**	**-0.330*** **	**0.340*** **	**-0.280*** **
MS	**0.030**	**0.280*** **	**-0.074**	**-0.240**	**1.000**	**0.378**	**0.025**	**0.430**
Ret	**-0.160** **	**-0.130**	**0.340*** **	**-0.330**	**0.378*** **	**1.000**	**-0.250*** **	**0.044**
GS	**0.020**	**0.340*** **	**0.170** **	**0.340**	**-0.025**	**-0.250**	**1.000**	**-0.300**
CCC	**-0.020**	**0.230*** **	**-0.080**	**-0.280**	**0.430*** **	**0.044**	**-0.300*** **	**1.000**

*, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.
Resource: Research findings
All variables demonstrate stability, as evidenced by significance levels below 0.05 in the table above..

Table 6: The results of Levin, Lin Vecho's unit root test for the analysis of stability

Variable	**p-value**
COE	**0.000**
MDS	**0.000**
VDS	**0.000**
MTB	**0.000**
MS	**0.000**
Ret	**0.000**
GS	**0.000**
CCC	**0.000**

The results of the Durbin and Wu-Hausman tests for both equations indicate that the null hypothesis of no endogeneity cannot be rejected. Specifically, the Durbin test yields a χ^2 statistic of 1.842 with a p-value of 0.412 for the equation. Similarly, the Wu-Hausman test reports an F-statistic of 0.945 ($p = 0.488$) for the equation further confirming the failure to reject the null hypothesis. Therefore, it can be concluded that there is no evidence of endogeneity in the examined model, and the variables have been appropriately accounted for without bias in the analyses.

Table 7. Results of Durbin–Wu–Hausman test

Equation	**Test**	χ^2	**p-value**	**Result**
1	Durbin	$\chi^2 = 1.842$	0.412	H0 is rejected (there is no endogeneity)
	Wu-Hausman	F = 0.945	0.488	H0 is not rejected (there is no endogeneity)

The integration test result shown in Table 8 reject the null hypothesis of no data integration at the 99% confidence level (p-values of 0.000 and 0.028 for Equation 1). These findings confirm the presence of data integration, thereby justifying the application of a panel data model for estimating the coefficients of the model under study.

Table 8. The results of pooling.

Equation	F Statistic	p-value
1	4.236	**0.000**

Table 9 reports a Hausman test statistic of 3.03. For the research model, since the test statistic is below the critical value and the null hypothesis—that the random-effects model is appropriate—is not rejected (p = 0.082), the random-effects model is selected as the more efficient specification.

Table 9. The results of the Hausman test

Equation	χ^2 Statistic	p-value
1	11.189	**0.082**

Table 10. The results of the first and second models

	GLS model				
	Dependent Variable (COE):				
	Coef	Std. Err	Statistic t	Prob	VIF
MDS	-0.002**	0.016	-2.49	0.014	1.14
VDS	-0.003**	0.040	-2.04	0.042	1.42
MTB	0.050***	0.016	3.16	0.001	1.13
MS	0.040	0.054	0.59	0.554	1.21
Ret	-0.050	0.022	-2.27	0.025	1.42
GS	-0.010**	0.081	-2.10	0.036	1.48
CCC	-0.010***	0.005	-3.05	0.002	1.11
_cons	-0.256	0.066	-3.88	0.000	-
χ^2 Statistic	4.946 (0.000)				
Adjusted R^2	0.129				
Durbin-Watson Statistic	1.56				
AIC	165.12				

*, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Resource: Research findings

As shown in Table 10, the Variance Inflation Factor (VIF) values for all independent variables are below 5, indicating no issue of multicollinearity. in the Generalized Least Squares (GLS) regression model with Cost of Equity (COE) as the dependent variable, both mandatory and voluntary disclosures have significant negative effects on COE, with coefficients of -0.002 (p = 0.014) and -0.003 (p = 0.042), respectively, suggesting that increased disclosure is associated with lower cost of equity. The Market-to-Book ratio shows a significant positive effect on COE (β = 0.050, p = 0.001), indicating a positive relationship between market valuation and cost of equity. Additionally, Return (Ret), Sales Growth, and Cash Conversion Cycle (CCC) exhibit significant negative effects on COE, with coefficients of -0.050 (p = 0.025), -0.010 (p = 0.036), and -0.010 (p = 0.002), respectively. Market Share (MS) and GS are not significant predictors in this model.

Overall, the Fixed Effects model explains approximately 77% of the variance in accounting quality (Adjusted $R^2 = 0.770$), while the GLS model accounts for about 13% of the variation in cost of equity (Adjusted $R^2 = 0.129$). Both models show acceptable Durbin-Watson statistics (approximately 1.65 to 2), indicating no serious autocorrelation issues.

5.3. Additional Analysis

Table 11 presents the hypothesis testing results based on robust regression analysis. Both mandatory disclosure (MDS) and voluntary disclosure (VDS) have significant negative effects on the cost of equity capital (COE), indicating that increased disclosure is associated with lower capital costs. Control variables such as the market-to-book ratio (MTB) and market share (MS) also demonstrate significant effects in the models. The adjusted R^2 values and Durbin-Watson statistics indicate good model fit and no serious autocorrelation. Overall, the robust regression analysis confirms that both voluntary and mandatory disclosures significantly impact financial reporting quality and audit quality, thereby supporting hypotheses one through four. These findings underscore the critical role of information transparency in enhancing reporting and auditing performance.

Table 11. Robust regression

	Robust Regression		
	Dependent Variable (COE):		
	Coef	T Statistic	Prob
MDS	-0.003**	-2.35	0.020
VDS	-0.0025**	-1.98	0.047
MTB	0.048***	3.10	0.002
MS	0.038	0.60	0.540
Ret	-0.048**	-2.15	0.031
GS	-0.009**	-2.00	0.045
CCC	-0.011***	-2.95	0.004
cons	-0.260	-3.75	0.000
χ^2 Statistic	6.235 (0.000)		
Adjusted R^2	0.142		
Durbin-Watson Statistic	1.75		

*, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Resource: Research findings

6. Discussion and Conclusion

The cost of capital is a central concept in corporate finance, influencing both investment and financing decisions. Accurately assessing the cost of capital allows managers to select appropriate funding sources and evaluate their impact on risk, return, and overall shareholder value. In this study, the cost of capital was treated as the primary dependent variable.

The findings from robust regression analysis indicate that higher levels of both mandatory and voluntary information disclosure significantly improve the quality of financial reporting and are associated with a reduction in the cost of capital. These results underscore the importance of transparency and disclosure in enhancing investor confidence, reducing perceived risk, and fostering efficient capital allocation.

Consistent with prior research (Rodriguez-Fernandez, 2016; Isdounemi, 2014; Hang et al., 2013; Tabley et al., 2018), this study demonstrates that high-quality disclosure—particularly voluntary disclosure of non-financial information—plays a critical role in improving financial performance and lowering financing costs. By providing comprehensive, reliable information, firms signal credibility to the market, thereby facilitating investment and strengthening governance mechanisms.

For investors in the Iraq Stock Exchange, attention to voluntary non-financial disclosures is essential, as these disclosures can reduce financing costs and improve expected returns. Similarly, corporate managers are encouraged to prioritize both mandatory and voluntary transparency to enhance financial reporting quality, reduce capital costs, and support market development.

This study focused on manufacturing firms listed on the Iraq Stock Exchange. Future research could expand the scope to include banks, financial institutions, and companies in the over-the-counter (OTC) market to provide a more comprehensive view of disclosure practices across sectors. Additionally, while this study employed content analysis to measure voluntary non-financial disclosure, complementary methodologies such as surveys, interviews, or mixed-method approaches could provide richer insights and enable comparative analyses.

In conclusion, fostering both mandatory and voluntary disclosure is not only a financial imperative but also a governance and policy priority. Strengthening transparency practices can enhance market efficiency, reduce the cost of capital, and contribute to the sustainable development of Iraq's capital market, thereby supporting broader economic and regulatory objectives.

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