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The Impact of Firm Characteristics on The Practice of "Material Facts" Disclosure by Jordanian Companies

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Abstract

This research aims at attracting the attention to the corporate factors associated with the level of emerging "Material Facts" type of disclosure imposed by the Jordanian securities commission (JSC) in 2010, as a mean of enhancing firm transparency. An emerging material fact is defined as "any event or piece of information may affect the decision of a person to buy a security, continue to hold it or sell it or use it in another way". The sample of the study consists of (34) industrial firms and (15) banks listed on Amman Stock Exchange (ASE) for the period (2015-2019). The study data were collected from the ASE website, with each emerging material fact disclosure classified under the categories of material fact index (shown in Appendix 1). The data was analyzed by regression, using the Statistical Package for the Social Sciences. The effects of four corporate characteristics on emerging material facts disclosure (FMFD) are examined: Firm size, firm profitability, firm leverage, and firm ownership concentration, in addition to some control variables.

The results showed a significant positive effect of the company's size, leverage, ownership concentration, board directors' independence, audit committee activity, and auditor type on the (FMFD), and no effect of profitability. The main recommendation is to increase research related to material facts disclosure of companies and its determinants in developing countries, such as Jordan, where there are no adequate studies on the subject found. Additionally Conducting future studies to expand the sample, by including more sectors, using longer period, and employing other sources of data beside the ASE website, such as holding interviews with stakeholders, and viewing newspaper reports to understand better corporate behavior toward this type of disclosure and increase the reliability of the study results.

Keywords: *Firm Emerging Material Facts Disclosure (FMFD), Firm size, Profitability, Leverage, Ownership concentration, and ASE.*

INTRODUCTION

Accounting information can influence decision-makers by helping them to predict the outcomes of present events or confirm or correct previous expectations (IASB 2018). For information to be helpful, it must be faithful and relevant (have predictive value or feedback, or both). Financial reporting is a communication system that involves the corporation management, the investors and creditors as main users, and other users such as the government and the public (Olowokure, *et al.*, 2016).

The Jordanian Securities commission (JSC) has demanded, since 2010, that *issuing companies shall notify the Commission, without delay and through any means that ensure the required swiftness, and shall promptly issue public notice of any emerging Material Fact, especially the important changes that occur in any of the following: Assets, obligations, capital structure, credit rating, products, share ownership that affect control of company, major transaction, non-recurrent transactions, any disaster, any unanticipated material loss, board of director important decisions, company objectives, initiation of merger, distribution of dividend, issuing new securities, decisions of the general assembly, treasury share transactions, labor disputes, discontinuation of the company activities, voluntary liquidation, and any actions brought by or against the company*. Appendix 1, at the end,

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lists the full details of material facts need to be reported immediately before the opening of next-day trading (JSC, 2010, articles 8 and 9)

Problem Statement and Research Questions

Corporate financial information quality in developing countries is low compared to more developed countries. A mutual complaint by investors in most developing countries is that financial information on firm performance is unavailable or lacks reliability (Shehu, 2011). Reliability has to do with the quality of financial information that is set free of fault and bias and closely represents what is meant (Hassan and Bello, 2013). Al-Olimat (2013), found that Jordanian companies ignore measuring and reporting one kind of fundamental information (or material fact) the environmental prolusion information.

The association between corporate characteristics and the level of general disclosure in annual reports is well documented in the literature, however, the association between corporate characteristics and the immediate disclosure of material facts has not received adequate attention at all. Accordingly, a comprehensive study relating firm's characteristics to Material Facts disclosure is necessary and will be of interest to regulators, investors, creditors, and others.

This research attempts to answer the following questions:

a) What is the effect of firm size on the level of emerging material facts disclosure?
b) What is the effect firm profitability on the level of emerging material facts disclosure?
c) What is the effect firm leverage on the level of emerging material facts disclosure?
d) What is the effect firm ownership concentration on the level of emerging material facts disclosure?

Research significance

This research has both theoretical and practical significances. The theoretical importance arises from enriching the previous literature that shed light on the impact of corporate characteristics on information disclosure, as studies relating to disclosure of specific information (material facts for example) and the characteristics of the firm are minimal in the Jordanian context (Al-Olimat, 2013; Al-Shubiri *et al*, 2013). This study attempts to fill this gap by focusing on emerging material facts disclosure by companies listed in Amman stock exchange as a sample of a developing country.

The practical importance, of this study stems from enhancing managers' understanding of how users of company's material facts information disclosure associate it with the characteristics of the company, which should help them build trust with stakeholders and create a positive reputation of the company.

Theoretical Framework and Literature Review

Financial reporting quality is defined as the credibility of the information conveyed by the financial reporting operation (Martinez et al, 2015). The word credibility is characterized by relevance, reliability, transparency, and clarification (Jonas and Blanchet, 2000). Timeliness is also other characteristics of useful information.

Financial statements must hold relevant information to be helpful to users in supporting their decision-making process and that the information is in a suitable mode and are still "news". Reliability is what assures that the information is released free from faults or alignment and that it really represents what it is purposed to represent. Information in a financial report should be safe to the range of users who can build on it to judge the economic conditions or events that it contains (Shehu, 2011).

Transparency means that the figures relate to the economic activities of the entity over time. Clarity is focused on how the figures are given. The shape and language of the display are also so significant. Financial reporting should thus supply information to assist investors, creditors, and other users to plan the amounts and time of future cash flows of the entity (Waweru and Riro, 2013).

The FASB/IASB Conceptual Frameworks for Financial Reporting define timeliness as ''having information available to decision-makers in time to be capable of influencing their decisions'', additional disclosure will help to reduce the possibility of wrong investment decisions. Moreover, the change in the environment and the increase in business complexity create additional pressure for information. Companies meet this demand by mandatory or voluntarily provision of additional information in their annual reports or other means. Adequate disclosure of the information is essential because, without this information, investors could not properly judge investment opportunities and risks.

Previous research indicates that the reasons for voluntary disclosure are multifaceted (Collett & Hrasky 2005). For example, the company may decide to voluntarily disclose the information to create a "good" impression; however, increased disclosure by companies could reveal confidential operational information. Moreover, additional information management is subject to increased cost. On the other hand, the absence of disclosures can be interpreted as concealment or disregard of information. This means that choosing any given reporting theoretical framework is important. Although there is a growing interest in material information disclosure, there is no unified theoretical framework that provides a complete explanation of its determinants and the effects of such disclosure on the company.

Furthermore, it has been argued that a firm's disclosures are complex phenomena and cannot be explained by a single theory (Cormier et al. 2007; Tagesson et al. 2009). Tagesson et al. (2009) further argue that to adequately investigate disclosure, several theories may need to be employed

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simultaneously. Accordingly, voluntary disclosure studies that use multiple theories have typically combined agency, legitimacy, stakeholder, and signaling theories (Haji 2013). However, the assumptions of any single theory may weaken or contradict the idea of other theories. Therefore, it is necessary to consider interrelated theoretical concepts when a combined theoretical framework is proposed. A weakness of prior studies is that the interrelationships between theories are rarely discussed. For example, (Haji,2013) explores corporate social disclosure using three theories: Agency, legitimacy, and signaling theory, but does not discuss their interrelations.

Globalization and the awareness of potential investors desire for more financial information have raised the need for quality information. Disclosure is one of the tools that managers use to transmit information to investors. Mandatory disclosure is a trust of regulatory bodies (such as the SEC, IASB, and FASB), however voluntary disclosure is a trust of leaders. Therefore, investors must be knowing while mandatory disclosure is not pertinent anymore and directors start employing voluntary disclosure "as managers are likely to consider their own interests when exercising managerial discretion" (Akhtaruddin, 2005).

The disclosure of information is not only a legal obligation for listed companies, but it will benefit investors to track it and the regulatory bodies to supervise it with them. Listed companies must take responsibility for the correctness, accuracy, and completeness of the information disclosed. Issuers and companies listed in accordance with the law must be authentic, accurate, and complete and may not contain false records.

Arguments for and Against Mandatory Disclosure

Mandatory disclosure demand in securities regulation has been the subject of a longstanding debate among academics and economists. Some researchers have disputed that mandatory disclosure demand are unnecessary, and even harmful, as market forces will generally ensure that firms disclose the optimal level of information. Some authors have called for abstraction of mandatory disclosure demand. Proponents of mandatory disclosure have responded by arguing that there are important informational externalities generated by the information released by firms. One such significant informational externality is the possibility that firm disclosures may enhance the stock price accuracy of firms given that firms will not take into consideration these externalities in deciding which pieces of information to disclose (Romano and Yale LJ, 1997).

Several legal theorists grasp this view of capital market behavior to refute the suggestion that the mandatory disclosure system could be under the aim of investor safeguard. If the public capital markets are efficient in a strong or even semi-strong sense, these proponents argued, then compulsory disclosure is unnecessary under this opinion, private incentives should be appropriate to support the production or discovery and dissemination of information important to investors. Given this motivation, the process of information discovery and efficient price incorporation would provide appropriate investor protection and would eliminate the need for any regulatory regime (Romano and Yale, 1997). In fact, the quality of disclosure regulation has been a particular focus in the aftermath of the East Asian crisis of 1997-1998 which many have censured, in part, on weak company transparency in the area. (Stiglitz, 1998)

Researchers have gone to great lengths to study the relationship between business disclosures and corporate characteristics, and to come up with arguments for every possible relationship, whether negative, positive or no relationship. Such conflicting results can be derived from a number of reasons, such as differences in measurement methodologies, lack of publicly available disclosures, and the impact of contingencies.

Material Facts Disclosure in Jordan

As stated before, the Jordan Securities Commission issued in 2010, an instruction for "material facts" disclosure, which required trading companies to disclose any material event so that all investors can obtain the necessary financial information to make their decisions and inform the Securities Commission within 24 hours by filling out a form available on the Securities Commission website. An emerging material fact is defined by the commission as "any event or piece of information may affect the decision of a person to buy a security, continue to hold it or sell it or use it in another way". The checklist of the disclosure of material facts of the traded companies (shown in Appendix 1) is provided on the Securities Commission website to be available to investors, researchers, and all users of financial statements.

Literature Review

This literature review covers the relationships between firms' characteristics and different information disclosures in general as the researchers didn't find articles studying the relationship between firm characteristics and specific type (i.e., material facts) information, other than environmental information and social responsibility information.

Al - Nashef and Saaydah (2021) inspected the impact of ownership type on Corporate Social Responsibility (CSR) disclosure and spending. A sample of 61 listed firms over the period (2011-2015) was chosen. The authors expected that various kinds of ownership have different impact on the company's corporate social commitment. The different ownerships examined include family ownership, institutional ownership, foreign ownership, and government ownership. They used ANOVA to analyze data and found that family and foreign ownerships have significant negative impact on CSR **disclosure** and similar effect of institutional ownership was found on CSR **spending**.

AL Boone, *et al*., (2020) investigated the reporting demand and listing choice associated with ongoing SEC disclosures by foreign company and the investor response. The SEC defers material fact disclosure and temporary financial disclosure obligations to foreign firms' home market regulator or

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exchange. The researchers find an increasing number of foreign firms incorporate in disclosure havens and have little or no event driven disclosure obligations. These firms furnish less disclosures but experience more investor interest and market response to each filing. There is little evidence that the SEC suitable for lower information flow with additional monitoring. The results indicate that the SEC's one-size-fits-all approach to foreign firm disclosure has led to increasing disparity in information flow, although the strong demand for and reaction to disclosures by firms from weaker regulations.

Salehi et al., (2019) examined the relationship between firm's size, leverage, profitability, age, and type of industry and corporate social responsibility disclosure (CSRD). They used data on 125 companies listed on TSE for the period 2010-2015 analyzed by a multiple regression. It was found that there is a significant positive relationship between the age of the firm and the level of CSRD. However, with regard to leverage and profitability, they have significant negative relationship with CSRD. Furthermore, industry type is an important factor affecting CSRD.

Bani Khailid *et al*., (2016) believe that corporate business environment is surrounded by strong public scrutiny from diverse stakeholder groups that are calling on businesses to accept accountability for not only their financial actions but also the nonfinancial implications of their activities. They used a sample of Jordanian manufacturing companies for the period 2010-2012 and panel data regression for analysis. The results of the study indicated that the firm size, type of audit firm, and financial performance are significantly associated with the amount of corporate social and environmental disclosure (CSED), while firm profitability, age, type of industry, and ownership are not related to the practices of CSED.

Lundberg and Ahmam (2015) examined the quality of the disclosure in "IAS" 1 "Presentation of Financial Statements": paragraphs 122 and 125 in the annual reports of Swedish publicly listed firms. These paragraphs state that firms are required to disclose critical judgments in estimation made by management in preparing financial statements that may have significant impact on the recognized carrying amount. They used 1519 company annual report data and OLS for analysis. The finding shows that a company's visibility and impact are positively related to the quality of its disclosures.

Devi *et al*. (2014) analyzed the impact of firm characteristics on firms' intellectual capital disclosures. The explanatory variables used are company's size, age, industry type, listing status, and management equity, obtained from 146 Indonesian companies and employed multiple regression for analysis. The study found that only company size, age, and public listing had a significant impact on intellectual capital disclosures.

Sawit (2014) analyzed the impact of corporate characteristics on corporate social responsibility spending. The populations and sample are all firms in BSE 30 index for the 2007-2012 period. The analysis method is multiple regression. The results show that corporate's size, profitability, and revenue affect corporate social responsibility spending, while corporate leverage does not affect corporate social responsibility spending.

Alotaibi (2014) investigated corporate social responsibility (CSR) practices in a sample of 171 observations of publicly traded Saudi non-financial companies between 2013 and 2014. The study found that the amount of information disclosed on CSR has a positive correlation with the size of the board of directors and the size of the audit committee. However, CSR is negatively related to the size of the State-Owned and Compensation Commission.

Iatridis (2012) investigated how voluntary disclosure regulations under International Financial Reporting Standards (IFRS) in the pre-adoption period (before 2005) affected the transition to IFRSs for UK-established companies. Companies that voluntarily used IFRS disclosers exhibit higher equity and debt financing needs and tend to be audited by a big auditor and be cross-listed. The study implies that the need to obtain financing on better terms would motivate managers to provide voluntary (IFRS) disclosures to show that they are familiar with the upcoming regulatory change and ready to implement it when it becomes effective. Providing voluntary IFRS disclosures results in more meaningful accounting actions, suggesting that less skewed information will result in more informative and better accounting disclosures that help investors make informed decisions.

Cheng and Courtenay (2004) investigated the relationship between board monitoring and voluntary disclosure levels and found new evidence that firms with higher proportions of independent directors on their boards had higher levels of voluntary disclosure. The size of independent directors is much higher than that of companies with a well-balanced board of directors.

Research Methodology

Population and Sample

The target population of this study is all listed Jordanian companies, while the sample consist of all banks and industrial firms listed for the period (2015-2019) that meet the following terms:

- The company annual report is posted to Amman stock exchange website.
- The company disclosed all required data for variables' measurement.
- The company practice emerging material facts (fundamental information) disclosure
- The company financial year ends on 31/12.

Appendix (2) at the end of the research lists the name of sample companies (banks & industrial firms).

Research Design

This research is descriptive and analytical in nature. The focus of it is on measuring "the level of material facts" disclosure to find out the relationship between it and the firm characteristics, using descriptive statistics, correlation, regression analysis, and other relevant tests. The control variables in the study are of corporate-governance nature,

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specifically: The board of director independence and the activity of audit committee, as those were among the most effective corporate governance tools. Material facts disclosures for all companies are available on ASE website. These disclosures were analyzed over a 5-year period to measure the level of and find the relationship between them and the independent and control factors.

Data Sources

The study uses quantitative data to obtain accurate measurement of variables; such data will be extracted from the annual reports and material facts disclosures available on the ASE website for the sample companies. The other secondary sources of study data consist of firms' websites and other relevant materials in the books and periodicals.

Each emerging material fact disclosed was classified under the categories of Appendix 1. The dependent variable in the study is measured by the simple number of emerging material fact disclosed rather than computing a ratio indicator because companies do not necessarily have the same emerging material facts experience.

The overall study model can be shown in Figure No. 1, as follows:

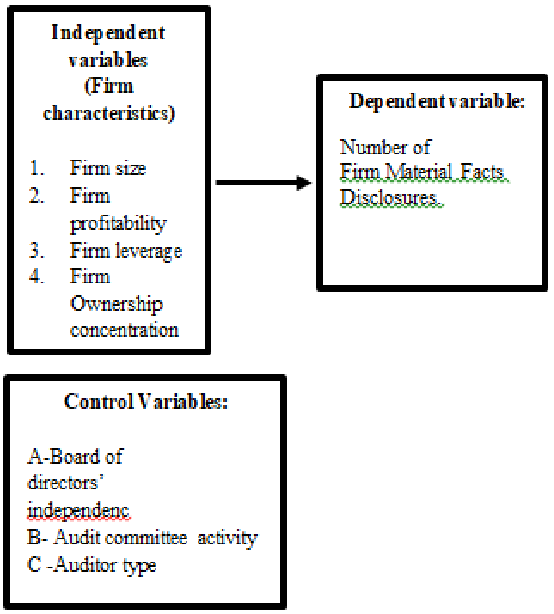

Figure 1: Research Model

(Source: Soyemi and Olawale, 2019 and Swati Chauhan, 2014).

Regression Model and Variables Measurement

The study regression equation is as follows:

$FMFD_{it} = \beta_0 + \beta_1\, FSIZE_{it} + \beta_2\, F\ PROFIT_{it} + \beta_3\, LEV_{it} + \beta_4\, FOCON_{it} + \beta_5\, BIND_{it} + \beta_6\, ACACT_{it} + \beta_7\, A\ TYPE_{it} + E_{it}$

Where- :

1. FMFD: The number of "Material Facts" disclosed by the company.
2. FSIZE: Firm size, measured by the natural log of total assets.
3. PROFIT: Firm Profitability measured by Return on Assets: ROA.
4. FLEV: Firm Leverage, measured by total debts /total assets.
5. FOCON: Firm ownership concentration (total percentage of highest 5 owners)
6. BIND: Firm Board of directors' independence (independent members/total members)
7. ACACT: Firm Audit committee Activity (number annual meetings.)
8. A TYPE: Auditor Type (assigned 1 if Big-4 and 0 otherwise)

Study Results

Descriptive Statistics

Table 1 presents the descriptive statistics for firms' material fact disclosure (FMFD) as a dependent variable and company characteristics as independent variables and the control variables for the study overall sample, which consist of all member companies of the banking and the industrial sectors.

The table shows the mean, minimum, maximum, standard deviation, skewness, and kurtosis values of all variables.

Table 1: Descriptive Statistics for the Overall Sample

Variable	N	Minimum	Maximum	Overall Mean	Std. Deviation	Skewness	Kurtosis
FMFD	225	0	10.0	2.067	1.9843	1.495	2.613
FSIZE	225	15.40	23.99	18.7793	2.34235	0.402	-1.239
FPROFIT	225	-0.15	0.26	0.0166	0.05672	0.087	1.727
FLEV	224	0.06	0.92	0.4785	0.28912	0.272	-1.481
FOCON	225	0.04	0.99	0.6018	0.25925	-0.334	-0.980

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BIND*	157	0.00	0.90	0.3777	0.18848	0.380	0.827
ACACT*	156	0.00	19.00	5.2051	2.55701	1.717	5.774
A TYPE	225	0.00	1.00	0.5422	0.49932	-0.171	-1.989

* It should be noted that some control variables have missing data, especially in the case of board of directors' independence (BIND) and Audit Committee Activity (ACACT) as the information was not compulsory required before 2017 when the Jordanian corporate governance code wan updated and required their disclosure.

FMFD: Firm Material facts disclosure index, the number of material facts disclosed annually by the company. **FSIZE:** Firm size (natural log of total assets). **FPROFIT**: firm profitability (return on assets ratio). **FLEV:** Firm Leverage (total debts /total assets). **FOCON :**Firm ownership concentration (total percentage of highest 5 owners). **BIND:** Firm Board of directors' independence (independent members /total members). **ACACT:** Firm Audit committee Activity (number of committee annual meetings). **A TYPE:** Auditor type, 1 if auditor is a big-four firm, and 0 otherwise.

The dependence variable (FMFD) has an overall mean of (2.067) which mean a sample firm disclosed about 2 emerging material facts annually on average whether positive or negative facts. The minimum value was 0 material facts which is related to Jordan poultry processing & marketing company, the maximum value was 10 is material facts related to Jordan Kuwait bank, while the standard deviation of the variable is (1.9843) which indicates the convergence around the mean number of disclosures for banks and industrial companies for the period (2015-2019).

The overall mean of the firm size (FSIZE) is (18.779) while the minimum value is (15.40) related to Arab electrical industries, the maximum value of (23.99) related to Arab bank, and the standard deviation is (2.344) which indicates a low dispersion of firm size around the mean.

The overall mean, of firm profit (FPROFIT), measured by ROA is (0.0166), with minimum value of (-0.15), which is related to loss by ready mix concrete and construction supplies company, and the maximum value of (0.26), which relates to Philadelphia pharmaceuticals company. The standard deviation of the variable (0.0567), which is larger than the mean and indicates high dispersion around it.

For firm leverage (FLEV), the overall mean was (0.4785) which shows that nearly half of the company's assets are financed by debts.

The mean of firm ownership concentration (FOCON) reached (0.6018), which means around 60% of the companies' capitals are owned by large shareholders.

With regard to the control variables, the board of director independence (BIND) overall is (0.3777), indicating that 37.77% of the board members are independent. The minimum value was 0, and the maximum value is (0.90) which is related to Jordan industrial resources. The value of the standard deviation for this variable is (0.1888), which means the board independence is not widely dispersed around the mean.

The overall mean for Audit committee activity (ACACT) is 5.2051 meetings. This is good corporate governance indication as the minimum required by JSC is 4.

The auditor type (ATYPE) overall mean was 0.5422, which indicates that 54.22% of the sample banks and industrial companies are audited by Big-4 audit firms. Big-4 companies enjoy high-quality audit work and most banks and big companies seek to be audited by them.

Skewness and kurtosis statistics demonstrate that most study variables are normally distributed given the accepted cut-offs tests, except for the skewness result for the material facts disclosure (FMFD)and the kurtosis result for (FMFD) and the audit committee meetings (ACACT).

For the purpose of abbreviation, individual sectors descriptive statistics are not shown here rather they are available from the authors at request. It worth mentioning, however, that the average number of material facts disclosed by a bank is larger than the overall mean (2.467) and the average material facts disclosed at by an industrial company is smaller (1.867).

4.2 Correlation Matrix

Table 2 present the correlation analysis for the overall sample. This analysis is a bivariate one to measure the strength of association between each pair of the study variables and observe the direction of the association. This analysis is important to check multicollinearity between study variables.

The table shows that the highest correlations are between FSIZE and ATYPE, (0.682), and between FSIZE and FLEV (0.693) followed by the correlation between FLEV and ATYPE. No correlation exceeds 0.482 which means there is no multicollinearity problem in the data (Hogg, *et al* 2019).

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Table 2: Pearson Correlation Matrix for the Overall Sample

Variables	FMFD	FSIZE	FPROFIT	FLEV	FOCON	BIND	ACACT	A TYPE
FMFD	1							
FSIZE	0.231**	1						
FPROFIT	0.044	-0.018	1					
FLEV	0.093	0.693**	-0.300**	1				
FOCON	0.057	0.231**	0.206**	0.054	1			
BIND	0.101	-.181*	-0.102	-0.211**	-0.406**	1		
ACACT	0.169*	.473**	0.011	0.259**	-0.139	-0.138	1	
A TYPE	0.175**	0.682**	0.022	0.482**	0.301**	-0.249**	0.379**	1

.**Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

FMFD: Firm Material facts disclosure index, the number of material facts disclosed annually by the company. **FSIZE**: Firm size (log of total assets). **FPROFIT**: firm profitability (return on assets ratio). **FLEV**: Firm Leverage (total debts /total assets) **FOCON**: Firm ownership concentration (total percentage of highest 5 owners). **BIND**: Firm Board of Directors' independence (independent members /total members). **ACACT**: Firm Audit Committee Activity (number of committee annual meetings.) **A TYPE**: Auditor type, 1 if auditor is a big-four firm, and 0 otherwise.

4.3 Regression Analyziz Results

Table (3) shows the multiple regression analysis for the overall sample. Based on the table contents the results indicate that:

- The F-value for the model is 2.377 which is significance at 0.025.
- The value of Adjusted R^2 is (0.06), this implies that only 6% variation in the FMFD disclosure is interpreted by the explanatory variables, which is low.
- The collinearity statistics show that the values of tolerance are exceeding (0.1) and the values of variance inflation factors (VIF) are less than (10), which means the model has no multicollinearity problem.
- The Durbin-Watson value is (1.841), which is close to 2.0 indicating no autocorrelation problems in the model.

Table 3: Multiple Regression Analysis for the Overall Sample

Variable	B	Std. Error	T	Sig.	Collinearity Statistics	
					Tolerance	VIF
(Constant)	-2.658	2.101	-1.265	0.208		
FSIZE	0.089	0.028	3.247	0.001	0.270	3.711
FPROFIT	0.001	1.163	0.001	0.999	0.671	1.490
FLEV	0.818	0.22	3.680	0.000	0.325	3.078
FOCON	0.372	0.18	2.066	0.040	0.657	1.522

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BIND	0.621	0.278	2.237	0.026	0.732	1.367
ACACT	0.142	0.067	2.126	0.035	0.655	1.527
A TYPE	0.382	0.130	2.949	0.004	0.383	2.610
R^2	0.104					
Adjusted R^2	0.060					
Durbin Watson	1.841					
F-Value	2.377					
Sig.	0.025					

Hypotheses Evaluation

In this part, the study hypotheses are evaluated as follows:

HO_1: Firm size has no effect on the material facts disclosure level of Jordanian-listed banks and industrial companies.

Table 4 shows T-value for the firm size is 3.274 which is significant at 0.001. This result confirms the positive effect of firm size on material fact disclosure, and therefore HO1 is rejected. This result is consistent with several disclosure studies' results (e.g., Bani-Khaled, *et al*, (2017); Ziad and Nasiri (2018); Sawit (2014), Wang *et al*,2013). They all conclude the greater the size of the company, the greater the company's ability to disclose information.

HO_2: Firm profitability has no effect on the material facts disclosure level of Jordanian-listed banks and industrial companies.

The results don't support the hypotheses as the T-value of profitability is 0.001 which not significant. Firm profitability has no effect on the material facts disclosure level of Jordanian listed banks and industrial companies". This result is consistent with that of Bani-Khaled, *et* al, (2017); and Salehi et al, (2019).

HO_3: Firm leverage has no effect on the material facts disclosure level of Jordanian-listed banks and industrial companies.

Table 4 shows the T-value for the firm leverage is 3.68 which is significant at 0.00, This result confirms the positive effect of firm leverage on material fact disclosure, and thus HO_3 is rejected. This result is consistent with several disclosure studies' results (e.g., Salehi et al, (2019); Sawit 2014).

HO_4: Firm ownership concentration has no effect on the material facts disclosure level of Jordanian listed banks and industrial companies.

Table 4 shows the T-value for the firm ownership concentration is 2.066 which is significant at 0.040. This result confirms the positive effect of firm ownership concentration on material fact disclosure, and thus HO_4 is rejected. This result is consistent with several disclosure studies' results (e.g., Bani-Khaled, et al, (2017); Lundberg and Ahmam 2015).

Table 4 also shows the impact of control variables on material facts disclosure. It is clear from the table that all control variables (BIND, ACACT, and ATYPE) are significant contributors to the determination of material facts disclosure level.

Conclusion

The material facts disclosure of companies has gained importance in Jordan and attracted corporate attention since the Jordanian Securities Commission asked companies to disclose this information. This research is concerned with measuring the actual level of Material Facts disclosure by Jordanian banks and Industrial firms and find out how much this kind of disclosure relate firm characteristics. The firm characteristics examined in this study are size, profitability, leverage, and ownership concentration, over the period (2015-2019). The findings at the overall sample level show that disclosure of material fact by banks and industrial companies is positively correlated with company size, financial leverage, and ownership concentration as well as all control variables (Board independence, audit committee activity, and auditor type). This research contributes to the previous literature by expanding the understanding of corporate characteristics that have an impact on the disclosure level of corporate material facts in Jordan.

Although the study found that companies' characteristics have an impact on the level of material facts disclosure, the empirical results show this impact is not big. The multiple regression results showed that the characteristics of the firm in general affect the level of material facts disclosure by only 6% and the characteristics responsible for that are: Company size, leverage, and ownership concentration. These results point to the fact that large companies disclose more information about material fact than smaller ones, and companies with high financial leverage, more independent board of directors, more

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active audit committee, and those audited by Big-4 firms are more active in material facts disclosure.

Limitations and Recommendations

This study suffers from several limitations. First, the study sample includes all companies from only two sectors (banks and industrial firms), which limit the generalizability of the study results. Second, the study relies solely on the disclosure of a company to the Securities Commission and stock market and the annual reports of companies on their websites to collect the required data, which limits communication and interaction with the management of companies to better understand the motives for disclosing mandatory information. The main recommendation is to increase research related to material facts disclosure of companies and their determinants in developing countries, such as Jordan, where there are no adequate studies on the subject found.

Appendix (1)

Instructions of Issuing Companies Disclosure, Accounting, and Auditing Standards

Issued by virtue of article (12/Q) of the Securities Law No. 76 for the year 2002 and by virtue of the decision of the Board of Commissioners of the Securities Commission No. 53/2004 and amended by virtue of the decision of the Board of Commissioners of the Securities Commission No. (257/2005).

Article:(8)

The issuing Company shall notify the Commission, without delay and through any means that ensure the required swiftness, and shall promptly issue public notice of, any emerging Material Fact and especially the following:

A. The important changes that occur in any of the following:
1. The Company’s assets.
2. The Company’s long and short-term obligations and any attachments upon its assets.
3. The capital structure.
4. The Company’s credit rating, if any, and changes thereto.
5. The Company’s products.
6. Changes in share ownership, which affects control of the Company.

B. Major transactions concluded by the Company and rescissions thereof, and the Board of Directors’ evaluation of the anticipated impact of such on the Company’s Profitability and its financial position.

C. Non-recurrent transactions, which might affect the profits of the Company or the financial position thereof.

D. Any disasters, fires, or accidents and their anticipated impact on the Company’s financial position.

E. Any unanticipated material losses which has affected the Company’s financial position, and the causes thereof.

F. The Board of Directors' important decisions, which might affect the prices of the securities, issued by the Company including the decisions related to:
1. Issuance of new securities, or amortization of any existing securities.
2. Changes in the capital investments, or in the Company’s objectives, or in its markets.
3. Initiation of a merger.
4. Distribution of dividends.
5. Buyback by the issuing Company of its own shares or any disposal thereto.
6. Voluntary liquidation

G. The decisions of the Company’s General Assembly.

H. The invitation for an extraordinary General Assembly meeting.

I. The formation of a new board of directors for the company and the resignation of any board member with a statement of causes thereof, in addition to any appointment decisions by the board of directors of new board members or nomination of new representatives of the legal persons on the board or any vacancy in any of those positions upon occurrence within three working days, and upon receiving the Central Bank of Jordan consent for banks within three working days.

J. Discontinuation of the Company’s activities or of those of any of its branches, factories, or subsidiaries and the reasons thereto.

K. Any actions brought by or against the Company or any judicial or labor disputes that might materially affect the Company’s financial position, whereby the Commission must be provided with a thorough report about such proceedings or disputes and their expected impact on the Company’s profitability and financial position.

Article:(9)

A. The Issuing Company shall provide the Commission with a detailed report about any Material Fact with a copy of the public statement within a week from its occurrence.

B. The Company shall promptly issue a public statement to confirm, deny or correct any news item about a Material Fact pertaining to the issuing Company, which is published in the media and shall provide the Commission with a copy of such a statement.

Appendix (2)

Names of sample companies (bank &industrial firms)

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Banks							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
JORDAN ISLAMIC BANK	JOR ISLAMIC BANK	JOIB	111001	1	200000000		
JORDAN KUWAIT BANK	JOR KUWAIT BANK	JOKB	111002	1	150000000		
JORDAN COMMERCIAL BANK	JCBANK	JCBK	111003	2	120000000		
THE HOUSING BANK FOR TRADE AND FINANCE	HOUSING BK TRD FIN	THBK	111004	1	315000000		
ARAB JORDAN INVESTMENT BANK	ARAB JOR/INV/BANK	AJIB	111005	1	150000000		
SAFWA ISLAMIC BANK	SAFWA ISLAMIC BANK	SIBK	111006	1	100000000		
BANK AL ETIHAD	BANK AL ETIHAD	UBSI	111007	1	160000000		
ARAB BANKING CORPORATION /(JORDAN)	ARAB BANKING CO.	ABCO	111009	1	110000000		
INVEST BANK	INVESTBANK	INVB	111014	1	100000000		
CAPITAL BANK OF JORDAN	CAPITAL BANK	EXFB	111017	1	200000000		
SOCIETE GENERALE DE BANQUE - JORDANIE	SOCGEN BK - JORDANIE	SGBJ	111020	1	100000000		
CAIRO AMMAN BANK	CAIRO AMMAN BANK	CABK	111021	1	190000000		
BANK OF JORDAN	BANK OF JORDAN	BOJX	111022	1	200000000		
JORDAN AHLI BANK	JORDAN AHLI BANK	AHLI	111033	1	200655000		
ARAB BANK	ARAB BANK	ARBK	113023	1	640800000		
Industrial							
Pharmaceutical and Medical Industries							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
DAR AL DAWA DEVELOPMENT & INVESTMENT	DAR ALDAWA DV/IV	DADI	141012	2	35000000		
HAYAT PHARMACEUTICAL INDUSTRIES CO.	HAYAT PHAR. IND.	HPIC	141210	1	9500000		
PHILADELPHIA PHARMACEEUTICALS	PHILADELPHIAPHARMA	PHIL	141219	1	7500000		
Chemical Industries							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
THE INDUSTRIAL COMMERCIAL & AGRICULTURAL	INDSTRAL/COMM/AGR	ICAG	141009	2	14956389		
PREMIER BUSINESS AND PROJECTS CO.LTD	PREMIER	ACDT	141010	2	1500000		
NATIONAL CHLORINE INDUSTRIES	NAT CHLORINE	NATC	141054	1	20000000		
JORDAN INDUSTRIAL RESOURCES	JORDAN IND.RES.	JOIR	141055	2	16625000		
THE ARAB PESTICIDES & VETERINARY DRUGS MFG. CO.	ARAB PESTICIDES	MBED	141209	1	12000000		
Food and Beverages							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
JORDAN POULTRY PROCESSING & MARKETING	JORDAN POUL PROC	JPPC	141002	2	23558305		
JORDAN DAIRY	JORDAN DAIRY	JODA	141004	2	4000000		
GENERAL INVESTMENT	GENERAL INVEST	GENI	141029	1	10000000		
UNIVERSAL MODERN INDUSTRIES	UNIV MOD INDCO	UMIC	141052	1	6000000		
NATIONAL POULTRY	NAT'L POULTRY	NATP	141084	2	30000000		
NUTRI DAR	NUTRIDAR	NDAR	141094	2	11615912		
JORDAN VEGETABLE OIL INDUSTRIES	JOR VEG OIL IND	JVOI	141141	2	4000000		
SINIORA FOOD INDUSTRIES PLC	SINIORA	SNRA	141222	2	27000000		
Tobacco and Cigarettes							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
AL-EQBAL INVESTMENT COMPANY LTD	EQBAL INV. CO	EICO	141048	2	60000000		
UNION TOBACCO & CIGARETTE INDUSTRIES	UNION TOBACCO	UTOB	141074	2	15083657		
Mining and Extraction Industries							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
ARAB ALUMINIUM INDUSTRY /ARAL	ARAB ALUM IND	AALU	141006	2	6750000		
NATIONAL STEEL INDUSTRY	NATIONAL STEEL	NAST	141011	2	2941768		
JORDAN PHOSPHATE MINES	JOR PHOSPHATE MN	JOPH	141018	1	82500000		
THE ARAB POTASH	ARAB POTASH CO	APOT	141043	1	83317500		
JORDAN STEEL	JOR STEEL	JOST	141070	2	35000000		
NATIONAL ALUMINIUM INDUSTRIAL	NAT'L ALUM IND	NATA	141091	2	9000000		
NORTHERN CEMENT CO.	NORTHERN	NCCO	141224	1	55000000		
Engineering and Construction							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
AFAQ HOLDING FOR INVESTMENT & REAL ESTATE DEVELOPMENT CO. P.L.C	AFAQ HOLDING	MANR	131259	2	80000000		
THE JORDAN PIPES MANUFACTURING	JOR PIPES MANFACT	JOPI	141019	2	3575000		
READY MIX CONCRTE AND CONSTRUCTION SUPPLIES	READY MIX CONCRT	RMCC	141065	2	25000000		
ARABIAN STEEL PIPES MANUFACTURING	ARAB STEEL PIPES	ASPMM	141098	2	9000000		
AL-QUDS READY MIX	AL-QUDS READY MIX	AQRM	141208	2	7460026		
ASSAS FOR CONCRETE PRODUCTS CO. LTD	AL ASSAS	ASAS	141214	2	7120000		
Electrical Industries							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
NATIONAL CABLE & WIRE MANUFACTURING	NAT/CABL/WIRE/MF	WIRE	141039	2	19299747		
ARAB ELECTRICAL INDUSTRIES	ARAB ELECT IND	AEIN	141072	2	3000000		OTC
UNITED CABLE INDUSTRIES	UNITED CABLE INDUSTRIES	UCIC	141215	2	35000000		
Textiles Leathers and Clothings							
Company's name	Company's short name	Symbol	Code	Market	Listed shares	Status	Notes
CENTURY INVESTMENT GROUP	CENTURY INV.GRP	CEIG	131097	2	10000000		
THE JORDAN WORSTED MILLS	JOR WORSTED MILL	JOWM	141014	1	15000000		

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