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The Impact of Shariah Approved Companies on the Relationship between Corporate Governance Structure and Voluntary Disclosure of Interim Financial Reporting in Jordan

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Abstract

This study examines the impact of shariah approved companies on the relationship between corporate governance structure and voluntary disclosure of half-yearly reports in Jordan, focusing on variables that affect voluntary disclosure of the ASE Jordanian listed companies. The dynamic panel system GMM estimation was employed on the data from 72 selected ASE listed companies for the period of 2009-2013, and the results show that a substantial level of voluntary disclosure is demonstrated in high level corporate governance awareness and implementation in Jordan. Specifically, the factors of board compensation, number of shareholders, government ownership and Shariah approved company significantly impact voluntary disclosure. In addition, this study shown that the effect imparted by the presence of audit committee, board size, and block-holder ownership on the level of voluntary disclosure appear to be greater among the Shariah approved companies. Aside from that, voluntary disclosure in the half-yearly reports has potential impact on market capitalization. The findings may provide some implications for research regarding the voluntary disclosure and Shariah approved companies of financial reporting in Jordan.

Keywords: Shariah Approved Companies, Interim Reports, Voluntary Disclosure, Corporate Governance

Introduction

Accounting information helps users in making better decision and attaining their target, and in fact, this is the main aim of accounting information. Then, when users apply effective methods, they would be able to obtain valuable economic and financial outcome known as accounting disclosure. Accounting disclosure, as defined by Al-Ajmi (2009); Ghazali and Weetman (2006); Marston and Robson (1997) is the maximum efficient job performed by accountants. Further, as indicated by Almohannadi and Syam (2007), in order to encourage persistent levels of high quality investment by companies and also to guarantee economic stability, corporate reports must be transparent, and based on the groundwork of financial reporting, this is attainable.

The annual financial reports released by companies contain diverse information, making them a vital source of information (Nandi & Ghosh, 2012). In particular, as indicated by Saravanakumar *et al* (2012), through the information provided, the company's important information for instance, the company's financial position, fund's application, operation's generated net income, and amount of sources and liquidity can be made known to users. Somehow, there are those who find the information presented in the reports to be inadequate, particularly the creditors and investors as their job nature demands information that is up to date especially with respect to activities of the companies at certain time of the financial year (Albawwat *et al.*, 2015).

As such, the release of the interim financial reports (IFRs) will satisfy the demand for financial information that is timely and at the same time, the matter of timeliness will also be enhanced. Compared to the annual financial reports, the interim financial reports covers the duration of less than a year i.e., the reports are half yearly (semi-annually), quarterly or even monthly. For instance, in Australia, Japan and the UK, companies release their interim financial reports semi-annually while in Brazil, Canada, China, Mexico, Saudi Arabia, Taiwan, Thailand and the USA, companies release their interim financial reports quarterly (Albawwat *et al.*, 2015).

Creditors and investors find information provided in interim financial reports to be valuable as it is more up to date and it also assists them in their process of decision making. As such, the scope of information disclosure is a vital feature in interim financial reports. Then, since interim financial reports are up to date, creditors and investors always peruse them to ascertain the wellbeing of certain companies. Owing to this, on the global scale, many stock exchanges today require companies to release their interim financial reports to enable the primary stakeholders such as the employees, shareholders, investors as well as the public to receive high quality financial information in a timely manner to facilitate their informed investment and financing decisions (Saravanakumar *et al.*, 2012).

Additionally, the literature has shown many reports on the significance of interim reports to the investors of stock market in their decision-making (Mangena & Tauringana, 2007). These reports equip investors with the material information on the financial status of the public listed companies that is up-to-date, reliable as well as relevant (Alias *et al.*, 2009). Thus, they would be well-versed in making investment decisions, particularly, when they attempt to accurately forecast earnings and share prices (Alias *et al.*, 2009).

Al Sawalqa (2013) reported that the investors face issues when dealing with corporate reports in Jordan. The issue that they face is that, the report lacks transparency i.e., as it contains many restrictions and also, more information needs to be included. As the information is inadequately provided, the investors cannot trust the information system. With regard to the interim reports published by the companies in Jordan, more extensive information needs to be included. Additionally, companies in Jordan are still very 'cautious' in terms of disclosing the amount and type of information in the interim reports; usually, the companies would disclose just the mere minimum of information as required by the Amman Stock Exchange. Aside from that, in 2011, the total investment achieved in Jordan was only at \$ 1.4 billion which indicates a 39% decline compared with the amount achieved in 2010 (ASE, 2011).

Financial reporting disclosure practices can be categorized as mandatory or voluntary. Mandatory disclosures include information companies must disclose according to statutory regulations (Cooke, 1992), and considered the minimum level of information to be disclosed in financial reports. Voluntary disclosures include information companies disclose in addition

to statutory requirements (Cooke, 1992). Voluntary disclosure is not limited to conventional disclosure (social or environment); it may include information from an Islamic perspective because a resurgence of Islam-led Muslim decision makers expects companies to disclose more information that helps them fulfill their spiritual needs (Othman and Thani, 2010). Haniffa (2002) argues that although current disclosure practices fulfill wider users' needs, it lacks the most pertinent items from an Islamic perspective, impairing the judgment of Muslim decision makers and affecting their spiritual being adversely. Shariah-compliant companies must prove they operate under Shariah principles.

The Shariah is the Islamic law of human conduct that regulates all matters of Muslims' lives. It is based on God's holy word in the Al-Quran, the deeds and sayings of the prophet Mohammed (P.B.U.H) and the consensus of Islamic religious scholars (Maali *et al.*, 2006, pp. 1-2). Haniffa and Hudaib (2002) suggests that a full disclosure of relevant and reliable information in an annual report assists Muslim stakeholders make both economic and religious decisions, and assists management in fulfilling accountability to God and society. Jordan is one of the Middle Eastern Muslim countries that realizes the need for companies to comply with Shariah principles.

This study contributes to the understanding of voluntary disclosure in interim reports of Jordanian listed companies. It extends the Jordanian literature on disclosure, and fills a gap in empirical studies on Shariah-compliant disclosure practices in Jordan in which there was no regulation for Islamic disclosure practices. It also contributes on comparability of the level of voluntary disclosure in the current study with other studies. Examination of this issue provides further understanding of whether the level of conventional disclosure is similar to Islamic disclosure from Shariah-compliant companies. It is also useful to preparers of financial statements and Shariah supervisory boards for communicating with stakeholders. Stakeholders such as investors can consult the findings to understand Jordanian Shariah-compliant companies better when diversifying Islamic investment portfolios.

Literature Review

The early researches on interim disclosure include the research by Taylor (1965) in the US. In fact, Taylor (1965) has been known as among the first scholars who conducted empirical research on disclosure in interim financial reports among 600 large US companies. Based on his research, it was discovered that mandatory disclosure was extensively practiced and the practices of voluntary interim disclosure among the companies under study was remarkable. Based on his findings, Taylor (1965) had deduced that the management of the company wanted to make more available information for investors in between the release of its annual reports.

Additionally, the research conducted by Taylor also denotes that the management has the desire to make changes and improvement on their interim financial reports. As proof, the management had shifted from releasing financial reports semi-annually to quarterly, and from releasing the report to the just financial press to including the stockholders as well. Aside from that, the financial community was also provided with the special reports.

Further, comparisons on different characteristics of interim financial reports had been made by (Hussey and Woolfe, 1998). The interim financial reports under study were those prepared by companies during the period between 1992 and 1997 in UK, while the method of study undertaken was analytical survey. In particular, Hussey and Woolfe (1998) studied the reports' content changes and timing of issue. The findings of the study indicated that the volume of information disclosed by companies in their interim financial reports has drastically

grown particularly in terms of the balance sheet, statement of cash flow, and also the overall recognized gains and losses. Aside from that, over the period of half decade in the UK, several changes have been made especially in terms of the number of auditor's review report being released and also the amount of reports of interim review, even though the publication is not endorsed in the country.

Meanwhile, Barker (1998) studied the perception of analysts and fund managers on the advantages of utilising diverse information sources in making decisions in the UK. The findings of this study indicated that, among the analysts, the interim financial reports were ranked sixth among the 17 sources of financial information. The five other sources chosen before interim financial reports are direct contact with company, meetings of analysts, announcement of results, annual financial reports and industry contacts. On the other hand, among the fund managers, interim financial reports were ranked third among the 17 sources of financial information, and the two other sources chosen before interim financial reports are meetings with management and annual financial reports. Here, it can be said that the fund managers appear to value interim financial reports more, compared to the analysts.

Next, the research by Albadee (2001) was done on 45 companies from various sectors in Egypt. This study delved into the role of interim financial reports (disclosure) and the interim financial statement in an attempt to activate the securities market in Egypt. In order to achieve the research's first objective, the author had examined how Egyptian corporations currently prepare, publish and review interim financial reports. Aside from that, Albadee (2001) also looked into how the companies commit to the requirements of disclosure and release of financial statements and the findings show that the interim financial disclosure is crucial in the practices of accounting in Egypt.

Nonetheless, the researcher is of the opinion that corporations in Egypt are still not up to date with respect to this kind of voluntary disclosure. Still, both interim financial disclosure and annual financial disclosure are commonly published by companies while the auditor's report is not. The subjective and objective features of the Egypt's Auditing Standard No. 240 have somehow motivated the auditor, particularly, the "Review of Financial Statement." Nonetheless, certain reports made by auditors included several opinions that are aimed at the financial statements.

Next, Mangena and Pike (2005) explored the linkage between selected audit committee attributes and the level of disclosure in terms of interim financial reports. This study was conducted following the occurrences of accounting anomalies and corporate collapses which had given rise to the concerns about the effectiveness of audit committees in terms of the process of financial reporting. For the purpose of this study, a total of 262 UK-listed companies were selected as sample, while the reports reviewed by the study were published in the period from 2001 to 2002.

Then, since corporate governance committees have been recommended as a way to enhance the role of the audit committee in their financial reporting tasks, Mangena and Pike (2005) also examined the audit committee. In particular, the attributes of the audit committee under study include: size of audit committee, financial expertise of audit committee and audit committee members' shareholding which functions as a proxy for the independence of audit committee.

Mangena and Pike (2005) also acknowledged the relationship that exists between disclosure in interim financial reports and audit committee characteristics. As such, it should also be examined so that the role of the audit committee in the process of financial reporting could be understood. In accordance with this, several hypotheses with regard to the effect of

three audit committee attributes were created. And as mentioned, the attributes were: size of audit committee, financial expertise of audit committee and audit committee members' shareholding.

The study's findings for the attribute of audit committee shareholding and the interim disclosure were inconsistent with the reports in the literature. Nonetheless, the researchers suggest that the characteristics of audit committee may impart substantial influence on how the audit can become one of the factors that cause the leak during financial reporting process.

Doran (2011) when he studied the earnings performance and interim reporting in his research. Particularly in the study, Doran (2010) measured earning performance as the differentiations between reported earnings and projected earnings. Aside from that, the researcher compared the performances of the interim period earnings and the year-end earnings of two groups of selected companies. With regard to the compared groups, the first one comprised of companies that have only interim future reports being included in their projected earnings. Meanwhile, the second group comprised of companies that concluded their projection at fiscal year-end. Based on the findings, the earnings performance of the first group was relatively favourable.

The research by Mathuva (2012) scrutinised the determining factors of the forward-looking disclosures in the interim financial reports of non-financial companies. For the purpose of the study, 91 Nairobi Securities Exchange (NSE) listed company were selected. Data collected were from the mid interim periods from 2009 until 2011. For each company, a forward-looking disclosure score was assigned in accordance with the company's disclosure of the forward-looking statements in their interim financial reports.

As indicated by the outcomes, companies that have better performance, higher capital investment, higher debt, higher financial risk and higher foreign investment concentration are inclined to possess more forward-looking disclosures in their interim financial reports; they indicate high level of forward-looking disclosures. On the other hand, companies that are cross listed are linked with lower forward-looking disclosures. In other words, compared to the non-cross listed companies, the cross-listed counterparts provide lower forward-looking information.

Mathuva's (2012) work also presented evidence on the contribution of financial reporting incentives to forward-looking disclosures in a developing nation in which enforcement is unstable. For the future, the study suggests that companies publish more thorough forward-looking disclosures. The reason for this suggestion is so that asymmetries of information between the management and owners of the company can effectively be reduced. This is particularly relevant to companies that have more concentrated foreign ownership.

In an empirical study in Jordan, Qabajeh *et al* (2012) attempted to examine the impact of the announcement of interim financial reports on stock returns. In this study, 20 Amman Security Exchange listed industrial public companies were selected. Data gathered encompassed 80 interim reports published by the companies under study in the second and third quarter from 2010 to 2011. The study examined the announcement date which entails five days before and after trading, and the statistical linkage between earnings, trading volume and stock returns of the companies. For analytical purpose, multiple regression models were formed.

The outcomes indicated that positive relationship exists between announcements of interim financial reports and stock returns on the announcement day. In addition to that,

positive relationship also exists between stock returns and trading volume. On the other hand, earnings and trading volume demonstrate insignificant relationship.

As the interim financial reports are relatively new in Jordan as it was only introduced in 1997, and there is a lack of literature regarding interim financial reporting in the country. However, most of these researches were focusing mostly on developed countries. Meanwhile, in the context of the countries in the Middle East, studies in this field are still lacking. Further, after reviewing the literature obtained, the researcher was able to ascertain the gaps in the studies particularly in the context of Jordan.

Hypothesis Development

Corporate Governance Structure

The concept of corporate governance has been receiving much attention since the last decade. Then, the outburst of scandals for instance Enron, Imclone Systems, Tyco, and WorldCom have demonstrated corporate governance's malfunction which shook the developed nations' capital markets. This have tarnished the confidence of the public and thus, Heidi and Marlene (2003) have contended that business leaders today should make attempts at winning the public's trust as their main agenda. In relation to this, Rogers (2006) suggest the disclosure of more information pertaining to the capital structure and control of the company as one of the ways to win the public's confidence.

Additionally, the practice of full disclosure can effectively prevent companies from financial reporting fraud (Beasley *et al.*, 2000). Additionally, there have been extensive efforts by securities markets and information intermediaries' regulatory authorities, as an attempt to improve transparency of information as well as protect the rights investors (Guan *et al.*, 2007). This way, the instances of adverse selection and agency problems caused by information asymmetry can be reduced. Additionally, studies have confirmed that the system of corporate governance affects corporate disclosure. Further, as indicated by Rogers (2006), the crucial components of corporate governance such as trust, openness, transparency and disclosure can compel the improvement of financial performance.

The fact that there have been limited studies focusing on the interim financial reports in Jordan has motivated this study to focus on this domain (interim financial reports). In particular, this study attempts to offer better comprehension, and enrich the present knowledge on interim financial reports' disclosure in the context of Jordan. Further, this study will also foster more awareness on the interim financial reporting's standard and regulations with respect to its application. Then, suggestions for modifications will be highlighted if necessary. Additionally, the success of the interim financial reports' disclosure in attaining its goal, that is, to feed the pertinent stakeholders with information in a consistent and timely manner, will also be evaluated. The outcome of this evaluation would benefit other researches on the different facets of the interim financial reports.

Countries and companies have different accounting disclosure level. This owes to the differences in national system and the variables of corporate system and culture, which produce the varying disclosure standards and regulations, and also the level of applicability's flexibility (Archambault & Archambault, 2003). In support to this notion, Al-Akra et al (2009) also added that the country's culture, religion, legal systems, educational system, political and economic influences, international factors, and business ownership and organization, may cause the country's accounting systems to differ. This also applies to Jordan. Not only that, Jordan is particularly keen on the matter of financial market development. Thus, this study will be of value to the country.

A number of past studies in this field have also highlighted some rationales to clarify the acts of some firms releasing voluntary information that is more comprehensive than other firms do, and the factors of corporate governance structure have been found to contribute to voluntary disclosure in financial reports. In this study the corporate governance structure variables that audit committee, the number of board meetings, board compensation, size of audit firm, number of shareholders, block-holder ownership, foreign ownership and government ownership.

Audit Committee

The previous studies on the voluntary disclosure in the financial reports have confirmed audit committee as the most commonly studied variable. For instance, studies by Ho and Wong (2001); Arcay and Vazquez (2005); Barako *et al* (2006) had examined the factor of audit committee and also found that audit committee has positive link with the degree of voluntary disclosure. Further, audit committee is also effective in enhancing disclosure and also in reducing costs of agency (Forker, 1992). Thus, based on the discussions above, the following hypothesis is formulated:

H₁: The degree of voluntary disclosure in the half-yearly reports is positively associated with the audit committee of the listed companies in Jordan.

Board Compensation

The notion of the influence of board compensation on voluntary disclosure is still newly researched. In fact, most past studies have not attempted to link the factor of board compensation with the extent of voluntary disclosure in the financial reports. Nonetheless, a study by Anderson and Daoud (2005) did attempt to ascertain the linkage and found that there is a significant relationship existing between board compensation and the degree of voluntary disclosure. Anderson and Daoud (2005) further indicated that by awarding compensation, the board of directors will enhance the observation on benefits such as bonuses and managers' compensations. Thus, the following hypothesis is formulated:

H₂: The degree of voluntary disclosure is positively associated with the existence of board's compensation in the half-yearly financial reporting.

Board Meeting

Board's effectiveness is signified by the number of yearly meetings conducted. Further, a board's degree of vigilance and diligence is demonstrated by its monitoring responsibilities (Persons, 2006). Then, as indicated by Khanchel (2007), the agency theory stipulates that the board meeting's frequency affects the strength of corporate governance component. Further, Vafeas (1999) suggested that if the frequency of the company's board meetings could be efficiently fixed, the company could achieve economic agencies. In a study in Australia, Nelson *et al* (2010) concluded that the relationship between the board meetings, and the features and the degree of statutory executive stock option disclosures was not significant. Meanwhile, Xiang *et. al* (2014) documented a significant and negative impact of board meeting frequency on information disclosure quality. Thus, the study formulates the following hypothesis:

H₃: The degree of voluntary disclosure is associated with the frequency of board meeting of the listed companies in Jordan in the half-yearly financial reporting.

Board Size

There is a positive linkage between board size and diligence, and corporate voluntary disclosure (Allegrini & Greco, 2011). Additionally, board size is also found to positively affect firm's compliance to the disclosure requirements (Gao & Kling, 2012). Further, board size appears to substantially contribute to quality voluntary disclosure establishment (Al-Janadi *et al.*, 2013). Thus, based on these findings, this study acknowledges the relationship that exists between board size and voluntary disclosure.

Nonetheless, board size and voluntary disclosure have also been found to have no linkage in some studies. In particular, the study from Yermack (1996) documented a negative association between board size and firm valuation. Further, board size has also been found to have an unusual positive impact on quality of information disclosure (Xiang *et al.*, 2014). However, as the board functions as the monitoring tool, its size can also affect the amount of disclosure made (Bushman *et al.*, 2004; John & Senbet, 1998), and this study is also in agreement with this notion. Then, as there has yet any agreed notion pertaining to the size of board, the following hypothesis is formulated:

H₄: The degree of voluntary disclosure is associated with the size of board in half-yearly financial reporting.

Audit Firm Size

In fact, managers do acknowledge the reason underpinning the demands of higher quality disclosure by larger auditors, and thus, employing these auditors indicates that these managers agree to comply with such demands (Xiao *et al.*, 2004). Additionally, Watts and Zimmerman (1986) are also in agreement with such notion by articulating that the role that auditors play in analysing the suspicious behaviour of the managements is crucial. This, as indicated by Naser (1998) will consequently reduce the agency costs.

However, the past studies on the size of audit firm have produced mixed results. As evidence, studies by Craswell and Taylor (1992); Inchausti (1997); Lopes and Rodrigues (2007); Wang *et al.* (2008) have documented that companies that hire large audit firms have positive linkage with the extent of disclosure. In line with this finding, Abdelsalam and Weetman (2007) reported that companies that hire large international audit firms have been advised by these audit firms to disclose more information. However, there are companies that hire larger audit firms and yet, the financial information they disclose is no more than their counterparts that employ smaller audit firms do (Malone *et al.*, 1993). In fact, statistically, there is no significant effect between the external audit quality and both the reporting practices and mandatory disclosure (Owusu-Ansah, 1998). Thus, the study presents the following hypothesis:

H₅: The degree of voluntary disclosure is positively associated with the audit firm size in the half-yearly financial reporting.

Foreign Ownership

In the context of management, the foreign shareholders appear to be more prone to face higher level information asymmetry problem (Xiao *et al.*, 2004). Meanwhile, higher level voluntary and financial information disclosures could also reflect higher transparency level, and this is of value especially to foreign investors. Also, as reported by Haniffa and Cooke (2002), foreign owners appear to need more disclosure, owing to the fact that the foreign owners' management needs monitoring. Then, as far as companies are concerned, those that release more disclosure appear to be registered on a number of stock exchanges (Ferguson

et al., 2002). A majority of studies have shown a positive and significant association between foreign ownership and voluntary disclosure in annual financial reports (Haniffa & Cooke, 2002; Xiao *et al.*, 2004). Thus, in line with the abovementioned, the study presents the following hypothesis:

H₆: *The degree of voluntary disclosure is positively associated with the foreigners' shares percentage in the half-yearly financial reporting.*

Government Ownership

Companies with high percentage of government ownership are more inclined on focusing on the environment and energy related issues, and providing good pension plans and training programs because these companies want to be a good example to companies that are fully private-owned (Naser *et al.*, 2006).

Moreover, government ownership appears to significantly impact quality voluntary disclosure creation (Al-Janadi *et al.*, 2013), and this is in line with the past study by Eng and Mak (2003) who found an association between high level of government ownership and greater level of disclosure degree. Voluntary disclosure is also highly linked with most of government owned companies (Abdel salam & Weetman, 2007). However, between the level of corporate social disclosure and government size, the study by Naser *et al* (2006) concluded the existence of a positive but insignificant relationship. As such, the following hypothesis will be tested by this study:

H₇: *The degree of voluntary disclosure is positively associated with the government shares percentage in the half-yearly financial reporting.*

Number of Shareholder

Singhvi and Desai (1971) found a positive relationship existing between the number of stockholders and disclosure quality. Meanwhile, the number of shareholders is positively associated with the extent of accounting disclosure in annual financial reports (Singhvi & Desai, 1971; Gharaebah & Naber, 1987; Al Muhannadi, 2007), and also in interim financial reports (Schadewitz & Blevins, 1998). Thus, this study will test the following hypothesis:

H₈: *The degree of voluntary disclosure is positively associated with the number of shareholders in the half-yearly financial reporting.*

Block Holder Ownership

The available literature on this field has also documented the relationship that exists between block holder ownership and the extent of voluntary disclosure. In relation to this, block holder ownership has been found to be significantly linked to the extent of voluntary disclosure (McKinnon & Dalimunthe, 1993; Hossain *et al.*, 1994; Schadewitz & Blevins, 1998; Haniffa & Cooke, 2002; Makhija & Patton, 2004; Huafang & Jianguo, 2007). However, Naser *et al* (2002); Eng and Mak (2003) discovered no significant linkage between the two variables, in their studies. Meanwhile, block holder ownership appears to have negative relationship with voluntary disclosure in the studies by (Marston and Polei, 2004; Ismail and El-Shaib, 2012; Adelopo, 2011; Samaha *et al.*, 2012). Therefore, the study will scrutinise the following hypothesis:

H₉: *The degree of voluntary disclosure is negatively associated with the block holder ownership in the half-yearly financial reporting.*

Moderates of the Shariah Approved Company

Unity of God is the main concept in Islam. God is revered as the definitive creator and absolute owner while man is just a trustee. As a trustee, man is accountable for other creatures of God and as indicated by Baydoun and Willett (1997); Maali *et al* (2006), man will answer to his deeds in the hereafter. In a larger context, man is accountable for both the community and the environment. That being said, in the context of Islamic accounting, the companies have responsibility towards the society and as a way to fulfil this responsibility companies should share information (Baydoun & Willett, 1997).

The Shariah is the basic guidance for Muslim activities. Its principles entail the ultimate ethical codes for the religion and culture of Islam (Sallehuddin & Fadzil, 2013). As such, each and every activity performed by individuals or organizations in all Islamic businesses must stringently adhere to the principles of Shariah. Further, as indicated by Maali *et al* (2006) the law of Shariah firmly requires Muslims whether individuals or organizations to accomplish their social obligations.

Generally in certain cultures, religion is regarded as a crucial component (Ousama & Fatima, 2010). Specifically in Islam, the religion shapes the way Muslims live their lives and also how they perform their business transactions. Thus, the impacts imparted by Islam on the domains of accounting and economics are significant. With respect to accounting, the influence of Islam is more concentrated on the level of disclosure (financial reporting) rather than measurement. This is because the techniques of basic accounting measurement are essentially identical to the conventional system (Baydoun & Willett, 1997).

In other words, Islam places emphasis on appropriate disclosure instead of the techniques of measurement. Also, in Islam, when disclosing information, two general prerequisites of Islamic accounting must be observed: the notions of social accountability and the complete disclosure (Baydoun & Willett, 1997, 2000; Haniffa & Hudaib, 2002; Haniffa, 2002). An Islamic Capital Market has been established in Malaysia. This establishment is the country's attempt to turn itself into the centre of international Islamic Market. Every transaction and activity that takes place in this market complies with the principles of Shariah principles. In addition, all transactions and activities that take place in this market do not involve any prohibited elements. Aside from that, through the Islamic Capital Market Muslims could understand and establish confidence in investments that are Shariah compliant (Securities Comissions, 2002).

Listed on the Malaysian Stock Exchange (MSE) or Bursa Malaysia, the Shariah Approved Companies make up one of the components of the Islamic Capital Market and the main activities of these companies comply with the principles of Shariah. As such, this demonstrates the worth of these companies being a part of the whole capital market as well as the Malaysian Islamic Capital Market (Ousama & Fatima, 2010).

It is assumed that the Shariah Approved Company has no involvement in prohibited activities or dealings. Further, even if the Company is engaged prohibited activities, it is done in a minimal manner, as permitted by the Shariah Advisory Council and the company would be obliged to disclose this matter completely, in accordance with the requirement of social accountability. Thus, by disclosing the pertinent information, relevant users would be able to acknowledge how the profits generated from such transactions are placed, and further, they could keep watch on the company's efforts to decrease the engagement in such activities in the & (Ousama & Fatima, 2010).

Additionally, disclosure that is Shariah compliant makes up one of the core objectives of Islamic accounting. Thus, even when certain disclosure is not required by the common

regulatory bodies, companies that uphold Islamic value are still obliged to perform it in a voluntarily manner. Then, in relation to the subject of Shariah approved company, there have yet any research conducted to ascertain the association between the Shariah approved company and the degree of voluntary disclosure in the interim reports. Disclosing pertinent and dependable information should assist outside clients in their decision making be it religious and economic. Simultaneously, by disclosing the required information, the management would fulfil their duty to God and the society (Haniffa & Hudaib, 2002). With regard to social responsibility and comprehensive disclosure, clients of the financial reports released by the Shariah Approved Companies may expect voluntary disclosure of pertinent information, particularly, the Islam-related information. Therefore, the Shariah Approved Company has the capacity to influence voluntary disclosure of companies. Accordingly, the study proposes the hypotheses below:

H₁₀: *The Shariah approved company moderates the relationship between Corporate Governance Structure and the extent of voluntary disclosure in half-yearly financial reporting.*

Methodology of Research

Data

The focus of this paper is on the semi-annual interim reports mandated by the Directives for Listing Securities on ASE prepared by the Amman Stock Exchange (ASE) listed companies in Jordan, and the period of data covered in this study is from 2009 until 2013. For the purpose of this study, 72 ASE listed non-financial companies had been chosen. This study did not select the financial companies as the regulations for financial reporting for this sector are different (i.e., the regulation for the financial companies are from the Central Bank of Jordan and the Insurance Commission). With respect to the data period selected, 2009 was one of the chosen years because this is the year of the issuance of the corporate governance code for listed companies by the Securities Commission of Jordan. Further, 2013 was also one of the selected years because the semi-annual reports released in this year can be considered as the most up-to-date information for this study. Aside from the financial reports of the sample companies, the study also collected data from the Bloomberg databases (from 2009-2013), the ASE and the Securities Commission of Jordan. It should be noted that data availability and completeness are the other two factors that determine the selection of the company as well as the study period. Further, only data from the first-half of the interim financial report were used for this study, as they are regarded to be more valuable to users (Albawwat *et al.*, 2015). As for the other half of the data, they would also be found in the annual report.

Definitions of Variables

Measurement of Corporate Governance Structure

Audit committee (ACOM)

This variable is measured by the code of (1) or (0). Code (1) is assigned if audit committee exists while code (0) is assigned if audit committee does not exist. The use of these codes (1 and 0) has existed in the earlier studies such as those by Ho and Wong (2001), Mangena and Taurigana (2007) and Allegrini and Greco (2011).

Board Compensation (BCOM)

This variable is measured by calculating the log of the overall amount of compensation bestowed to the board of director for each company as measured in the past researches such as the research from (Andersson and Daoud, 2005).

Board Meetings (BMEET)

The measurement of this variable is by calculating the overall number of board meetings in a given year. This method of measurement was also adopted in the studies by (Laksmna, 2008; Cormier *et al.*, 2010; Nelson *et al.*, 2010; Xiang *et al.*, 2014).

Board Size (BSIZE)

This variable is measured by totalling the number of directors on the board. The similar method was also found in the studies by Allegrini and Greco (2011), Gao and Kling (2012), Al-Janadi *et al.* (2013) and Xiang *et al.* (2014).

Audit Firm Size (AFSIZE)

This variable is measured by (1) if company has audited from big 4 audit firms and (0) if otherwise (Naser *et al.*, 2002).

Foreign Ownership (FOW)

The measurement of this variable is by calculating the log of percentage of shares owned by foreigners to the overall amount of issued shares. This calculation is based on (Haniffa and Cooke, 2002; Barako *et al.*, 2006; Al-Janadi *et al.*, 2013).

Government Ownership (GOW)

This variable is measured by calculating the percentage of shares owned by the government to the overall amount of issued shares. This calculation is based on (Naser *et al.*, 2006; Abdelsalam and Weetman, 2007; Wang *et al.*, 2008; Al-Janadi *et al.*, 2013; Ntim *et al.*, 2013).

Number of shareholders (NSHA)

This variable is measured by calculating the overall number of shareholders. This measurement method is similar to the studies by (Abdelsalam and Street, 2007; Omar and Simon, 2011).

Block-holder ownership (BLK)

This variable is measured by the calculation of the overall shares owned by institutions. However, the calculation will only be made if the ownership surpasses 5% of total shares outstanding. This measurement is based on the studies by Eng and Mak (2003), and Makhija and Patton (2004).

Measurement of Moderating Variable

Shariah Approved Company (SHAC) is a pseudo variable. As suggested by Al-Shammari (2013), the value of '1' will be assigned to the company that is Shariah approved while the value of '0' will be assigned to the company that is non-Shariah approved. However, for the situation of Jordan, the Shariah approved classification for the ASE listed companies is not available. As a solution, the Shariah compliance index requirement of Malaysia is employed to ascertain the companies' compliance status. The Shariah compliance index requirement of Malaysia is appropriate for use since the country is currently the centre for the global Islamic capital market (Ousama & Fatima, 2010). Further, the information on the Shariah approved company was manually gathered from the companies' financial statements of annual reports.

Model Development

Model (1):

Based on Aguinis (1995; 2004) and Li and Atuahene-Gima (2001) two stage analysis approaches were used in this study. During the first stage, the dependent variable is regressed with both the independent variables and moderator variable to represent the variables. Refer to Equation (1) below:

$$VD_{it} = C + \beta_1 VD_{it-1} + \beta_2 ACOM_{it} + \beta_3 BCOM_{it} + \beta_4 BMEET_{it} + \beta_5 BSIZE_{it} + \beta_6 AFSIZE_{it} + \beta_7 FOW_{it} + \beta_8 GOV_{it} + \beta_9 NSHA_{it} + \beta_{10} BLK_{it} + \beta_{11} SHAC_{it} \sum_{t=2009} YEAR_t + u_i + \varepsilon_{it} \quad (1)$$

Model (2):

Then, during the second stage, the existence of moderating effect is determined by adding an interaction term (independent × moderator variable). This is illustrated by Equation (2) below:

$$VD_{it} = C + \beta_1 VD_{it-1} + \beta_2 ACOM_{it} + \beta_3 BCOM_{it} + \beta_4 BMEET_{it} + \beta_5 BSIZE_{it} + \beta_6 AFSIZE_{it} + \beta_7 FOW_{it} + \beta_8 GOV_{it} + \beta_9 NSHA_{it} + \beta_{10} BLK_{it} + \beta_{11} (ACOM * SHAC)_{it} + \beta_{12} (BCOM * SHAC)_{it} + \beta_{13} (BMEET * SHAC)_{it} + \beta_{14} (BSIZE * SHAC)_{it} + \beta_{15} (AFSIZE * SHAC)_{it} + \beta_{16} (FOW * SHAC)_{it} + \beta_{17} (GOV * SHAC)_{it} + \beta_{18} (NSHA * SHAC)_{it} \sum_{t=2009} YEAR_t + u_i + \varepsilon_{it} \quad (2)$$

where, VD_{it} represents the voluntary disclosure Equations as the dependent variable, VD_{it-1} is predetermined and lagged dependent variable (past performance) where 1 shows lagged value of dependent variable, and $ACOM_{it}$ and $BCOM_{it}$ are weakly exogenous (endogenous) or predetermined, respectively. GOV_{it} are strictly exogenous company and country-specific variables, respectively. i refers to 72 companies as $i = 1 \dots 72$, t is time as $t = 2009 \dots 2013$. Where: (c) represent the intercept terms, β_i ($i = 1, \dots, 17$) denotes the coefficients of variables, ε_i represents the error terms, t represent the time trend, $ACOM$ represents the audit committee, $BCOM$ represents the board compensation, $BMEET$ represents the board meeting, $BSIZE$ represents the board size, $AFSIZE$ represents the audit firm size, FOW represents the foreign ownership, GOV represents the government ownership, $NSHA$ represents the number of shareholders, BLK represents the Block holder ownership, $SHAC$ represents the Shariah approved company as moderated variables.

Dynamic Panel GMM

As one of the analysis methods of this study, the Generalized Method of Moments (GMM) is considered a dynamic panel approach. Developed by Arellano and Bover (1995) and Blundell and Bond (1998), the System GMM increases the efficiency of first difference GMM. The GMM addresses the impact of voluntary disclosures of the past on the existing one. In terms of the sample, this method employs the one whose period is short but with high amount of firms. There are two level equations in the GMM, and in the first difference, each equation adopts Instrumental Variables (IV) for the removal of the correlation between explanatory variables and residuals. When handling short-sample periods, autocorrelation, heterogeneity, heteroskedasticity, and explanatory variables that are endogenous and predetermined, there are significant benefits in employing the approach of GMM, for instance, the efficiency of the estimates would be improved dramatically with this approach. However, the use of suitable instruments is necessary to ensure that the GMM estimator will successfully produce results that are unbiased, consistent and efficient. In response to this,

the Hansen/Sargan test of over identifying restrictions, AR (2), and the difference in Hansen test are the three appropriate diagnostic tests.

The Hansen/Sargan test of over-identifying restrictions scrutinises the instruments' overall validity. This is achieved by examining the moment conditions' sample analogue used in the estimation process. Here, the instrument will be assumed as valid and the model is specified correctly if the moment condition holds. Meanwhile, the AR (2) performs a test on residuals. This is to ascertain that no serial correlation among the transformed error terms exists. Finally, the difference in Hansen test is applied to examine the extra moment conditions' validity on the system GMM. In this test, the difference between the Hansen statistics produced by the system GMM and the difference GMM is measured. Then, if the three null hypotheses failed to be rejected, the estimated model is supported.

Results and Discussion

Descriptive Statistics

Table 1 presents the descriptive statistics of the degree of the overall voluntary disclosure particularly with regard to the disclosure of voluntary strategic information, financial information and non-financial information covering the period from 2009 to 2013.

Table 1

Descriptive Statistics of the Extent of Voluntary Disclosure in Half-Yearly Reports

Year	2009	2010	2011	2012	2013	(VD Overall)
Mean %	24.4	34.9	49.5	64.0	71.5	48.86
Median%	17.8	42.8	48.2	62.5	71.4	48.20
St. Deviation %	16.9	16.6	6.0	6.1	6.2	5.22

Sources: Jordanian companies listed at Amman Stock Exchange (N=72)

As indicated in Table 1, the overall mean value the voluntary disclosure in the half-yearly reports for the ASE listed companies in Jordan was at 48.8% for the covered period (2009-2013). Simply put, on average, the companies disclosed almost half (48.8%) of the 56 items in the index of voluntary disclosure for the covered period. The findings of the current study on the overall degree of voluntary disclosure appear to contradict with the findings of the past studies. As indicated, the extent of voluntary disclosure recorded by the current study is at 48.8%, which is almost half of the index items. On the other hand, a number of the past studies indicate much lower degree of voluntary disclosure for instance, Ho and Wong (2001) reported 21.75% of disclosure in Hong Kong, Arcay and Vazquez (2005) reported 42.38% of disclosure in Spain, Cong and Freedman (2011) reported 35.26% of disclosure in the USA, Jiang *et al* (2011) reported 27.38% of disclosure in New Zealand and Binh (2012) reported 43.36% of disclosure in Vietnam. However, there are also a number of past studies that report higher degree of overall voluntary disclosure compared to the findings of this study. Among these studies are the studies by Botosan (1997) which indicated 64% of disclosure, Akhtaruddin *et al* (2009) which reported 52.50% of disclosure, Akhtaruddin and Haron (2010) which reported 52.20% of disclosure, Cormier *et al* (2012) which documented 74.33% of disclosure, and Kurawa and Kabara (2014) with 65% of disclosure. Thus, based on the aforementioned, it is clear that studies on the extent of voluntary disclosure have yielded mixed results. There are several possible explanations for this phenomenon as discussed below:

Difference in Measurement

Compared to the past studies, this study uses different extent of voluntary disclosure. In particular, the items that are included in the index of this study have more coverage compared to those used in the past studies. Also, most past studies had less number of items, ranging from 22 items to 24 items, especially those studies that documented high percentage of disclosure for instance, for instance, the study by Kurawa and Kabara (2014) which reported 65% of disclosure. As such, small number of items in the index means smaller denominator, which leads to bigger ratio reading for voluntary disclosure.

Difference in Sample Size

Sample size refers to the number of companies selected as respondents. The sample size for this study is 72 while most of the past studies had smaller sample size ranging from 38 to 50 companies such as the studies by (Cormier *et al.*, 2012; Kurawa and Kabara, 2014). The size differences may be a factor contributing to variance of the study outcome. In particular, studies with small sample size appear to report higher degree of voluntary disclosure compared to those with larger sample size.

Diversity in the Sample Period

This factor could also affect the study outcome. It should be noted that voluntary disclosure practices of may change over time. Therefore, since studies on voluntary disclosure have been conducted in different time periods, change in voluntary disclosure practices may have occurred which may have caused differences in the results.

Sample Differences

Studies on voluntary disclosure have been conducted in various countries such as Hong Kong (i.e., Ho & Wong, 2001), New Zealand (i.e., Jiang *et al.*, 2011) and the USA (i.e., Cong & Freedman, 2011). Some countries are more advanced than others, and thus, their practices in voluntary disclosure may also be more advanced. As such, the degree of voluntary disclosure demonstrated by the more advanced countries would be higher. Aside from the degree of the overall voluntary disclosure, attention should also be given to the categories of voluntary disclosure. As indicated earlier, the categories of voluntary disclosure include strategic information, non-financial information and financial information. As shown in Table 2, the mean value for the degree of the voluntary disclosure for 2009-2013 was 57% for strategic information, 54% for non-financial information and 50% for financial information. Based on the values given, on average, companies disclosed 11 out of 21 voluntary items of strategic information, 9 out of 17 voluntary items of non-financial information and 9 out of 18 voluntary items of the financial information during the 2009-2013 period.

Table 2

Descriptive Statistics of the Category of Voluntary Disclosure in Half-Yearly Reports

CATEGORY	Strategic	Non-Financial	Financial
Mean%	0.57	0.54	0.50
Median%	0.54	0.64	0.50
St. Deviation%	0.28	0.17	0.20

Source: Jordanian companies listed at Amman Stock Exchange (N=72)

Similar to the findings of the majority of the past studies, the current study also found that strategic information was category of voluntary disclosure being disclosed the most. Meanwhile, the financial information was the least disclosed category in the 2009 – 2013 period. Thus, based on the outcomes of this research, it can be deduced that on average, the ASE listed companies in Jordan voluntarily disclosed more on information that relates to strategic information compared to information of non-financial or financial. This finding may be related to the reasons below:

Reluctance in disclosing non-financial information

Companies may be reluctant to disclose their non-financial information for instance, information on social policy and social responsibility because as indicated by Debereceny, Gray and Rahman (2003), this may due to the fact that disclosure of such information may pose a competitive disadvantage for the company. As such, there is low level of disclosure for non-financial information.

Strategic information disclosure as a competitive advantage

Disclosure of strategic information such as the general corporate information, corporate strategy, research and development and future prospects is regarded by companies as a competitive advantage. When such information is disclosed, the company's relevant stakeholders such as investors and shareholders may have more confidence towards the company's value and performance.

Disclosure of strategic information to signify strength of relationship

Disclosing more information about the strategic information is perceived as showing strength of relationship that the company has with the outsiders. This is an effective way to maintain the company's good image.

Generalized Method of Moments (GMM)

The main objective of the study is to examine the moderating effect of the Shariah approved company on the relationship between voluntary disclosure as the dependent and the structures of corporate governance as the independent variables among the ASE listed companies in Jordan for the period of 2009-2013. In order to achieve this purpose, the generalized method of moments (GMM) was employed. With regard to models 1 and 2, the results of both specification tests employed namely the AR (2) for serial correlation testing and the Hansen test for instrument validity testing are also valid. Specifically, the p-values for the AR (2) and Hansen tests as presented by Table 6.6 exceed the value of 0.10, which means that the variables are statistically not significant at the significance level of 10%. In other words, the empirical model has been fittingly specified due to the non-existence of serial correlation (autocorrelation) in the transformed residuals. Meanwhile, the instruments (moments conditions) employed in the models are valid. Apart from that, the conditions of additional moment such as difference in Hansen tests appear to be insignificant statistically. However, they are not documented for space saving purpose.

Table 3

Result for models, (1; 2) of dynamic panel-data estimation, one-step system GMM

Variables	Model 1			Model 2		
	Coefficients	Standard Error	P-Value	Coefficients	Standard Error	P-Value
Voluntary index	.2982803	.0594623	0.000	.2629778	.0779493	0.001
Corporate governance Characteristics						
Audit committee Board compensation	1.285571	1.396233	0.357	4.71618	3.918924	0.229
Board meeting	.0000469	.0000277	0.091*	.0000157	.0000678	0.817
Board size	-.0033141	.2656834	0.990	.2557388	.6344118	0.687
Audit firm size	-.3328852	.3115588	0.285	-1.387398	.8339386	0.096*
Foreign ownership	.1560001	1.547664	0.920	5.577751	5.542379	0.314
Government ownership	.001659	.0526742	0.975	-.1298075	.4149263	0.754
Number of shareholders	.0841655	.0388601	0.030**	.2645746	.2528379	0.295
Block holder	-.000143	.0000783	0.068*	.0004291	.0010373	0.679
Moderator variable						
Shariah approved company	-.0130405	.0261407	0.618	.0261439	.0476436	0.583
Interaction Effects						
Audit committee × Shariah approved company	4.958934	1.978258	0.012**	8.557984	4.747691	0.071*
Board compensation × Shariah approved company				.0000307	.0000845	0.717
Board meeting × Shariah approved company				.1761094	.6914783	0.799
Board size × Shariah approved company				1.906054	.8469347	0.024**
Audit firm size × Shariah approved company				5.963335	6.369362	0.349
Foreign ownership × Shariah approved company				.2005618	.4355774	0.645
Government ownership × Shariah approved company				.2370662	.3007336	0.431
Number of shareholders × Shariah approved company				-.0006037	.0010728	0.574
Block holder × Shariah approved company				-.1280594	.0714971	0.073*
<hr/>						
Number of instruments		102			106	
Number of observations		288			288	
Number of groups		72			72	
		0.888			0.610	

Variables	Model 1		Model 2			
	Coefficients	Standard Error	P-Value	Coefficients	Standard Error	P-Value
AR(2)-p value		0.987			0.999	
Hansen/Sargan test -p value						

Note (1): *, **, *** denote 10%, 5% and 1% significant levels, respectively. (2) Year dummies and constant are not included in order to save space. All p-values of the difference in Hansen tests of exogeneity of instruments subsets have also been rejected at least at 10 percent significant level.

Model 1 entails the examination on the linkage of independent variables and moderated variable with voluntary disclosure of the half-yearly reports published by the listed companies in Jordan. Meanwhile, model 2 looks into the moderating impact of Shariah approved company with the level of voluntary disclosure. As highlighted in Table 3, the outcome for Model 1 at 10% and 5% levels of significance suggests that the variables of board compensation, number of shareholders, government ownership and Shariah approved company show significance at 0.091, 0.068, 0.030, and 0.012 respectively. On the other hand, the variables of audit committee, board size, board meetings, audit firm size, foreign ownership, and block-holder ownership show no significance.

Further, the outcomes following the addition of the interaction term (independent × moderator variable) to the equation are shown in Model 2. As indicated by Table 3, only three of the interactions generated in Model 2 demonstrate significant relationship namely the coefficient of, the interaction of Audit committee × Shariah approved company, block-holder ownership × Shariah approved company and Board size × Shariah approved company with the degree of voluntary disclosure in the half-yearly reports published by the listed companies in Jordan with the levels of significance of 10% and 5% respectively. Based on the outcomes, it can be deduced that the effect imparted by the presence of audit committee, board size, and block-holder ownership on the degree of voluntary disclosure appear to be greater among the Shariah approved companies.

Further, with respect to the moderating effects of Shariah approved company on both the dependent and independent variables, the outcomes of the GMM demonstrate that companies that are Shariah approved have significant moderating effect on the relationships between the structures of corporate governance and voluntary disclosure in the half-yearly reports released by the ASE listed companies in Jordan. This finding is in line with the teaching of Islam which stipulates that man is responsible to both the community and the environment. Thus, when this notion is applied in Islamic accounting, companies have responsibility towards the society and in order to fulfil this responsibility, information should be disclosed (Baydoun & Willet, 1997). Simply put, Islam imparts a substantial influence on both accounting and economics. Within the domain of accounting, the influence of Islam appears to be more on the extent of disclosure, i.e., financial reporting, than the measurement. This, as reported by Baydoun and Willett (1997) and Ullah and Jamali (2010), is caused by the fundamental techniques of accounting measurement being basically identical to the conventional system. On the other hand, proper disclosure is emphasised in Islam; not so much on the techniques of the measurement. Additionally, the notions of social

accountability and total disclosure make up the two general prerequisites in Islamic accounting (Baydoun & Willett, 1997, 2000; Haniffa, 2002; Haniffa & Hudaib, 2002).

Further, as indicated by Ousama and Fatima (2010) some cultures regard religion as a crucial element. In the religion of Islam particularly, its teachings dictate how Muslims live their lives and also perform their business transactions. Thus, in the domain of Islam, the fields of accounting and economics are very much affected. This study's finding is in agreement with Haniffa and Hudaib's (2002) suggestion that full disclosure of pertinent and reliable information would assist the outside clientele when they make both economic and religious decisions. Further, as indicated by the authors, by making this disclosure, the management has fulfilled their duties to God and the society. Further, the clientele of the financial reports published by the Shariah approved companies may expect voluntary disclosure of pertinent information particularly the Islam related information and this religion-based disclosure is part of the companies' fulfilment of social responsibility. Aside from that, the Shariah compliance disclosure is one of the Islamic accounting's basic objectives and thus, information should be disclosed voluntarily even when it is not mandated (Ousama & Fatima, 2010).

It can therefore be deduced that the empirical outcomes of the GMM analysis in model (2) are in agreement with the hypotheses which stipulate that the degree of voluntary disclosure in the half-yearly reports published by the ASE listed companies in Jordan is affected by the factors of board compensation (H_2), government ownership (H_7), number of shareholders (H_8), and Shariah approved company (H_{10}). On the other hand, the hypotheses pertinent to the presence of audit committee, frequency of board meetings held, board size, Audit firm size, foreign ownership levels, and block-holder ownership levels are found to have no effect on the degree of voluntary disclosure in the half-yearly reports published by the ASE listed companies in Jordan, and hence, the hypotheses are not supported. With regard to model 2, the empirical results generated by the GMM analysis support the moderating hypotheses which stipulate that the interaction effects of audit committee presence, board size and block-holder ownership on the degree of voluntary disclosure is greater for the Shariah approved companies. On the other hand, the moderating hypothesis related to the impact of board compensation, board meetings frequency, size of audit firm, levels of foreign ownership, levels of government ownership and number of shareholders on the degree of voluntary disclosure in the Shariah approved companies is not supported by the results.

Concluding Remarks

The main objective of the study is to scrutinise the moderating effect of the Shariah approved company on the relationship between the structures of corporate governance and voluntary disclosure in the half-yearly reports published by the ASE listed companies in Jordan. The sample of the study comprised of 360 half-yearly reports published by the 72 responding companies for period of 5 years (2009-2013). In order to measure the data gathered (i.e., extent of voluntary disclosure), a voluntary disclosure index comprising of 56 items was formulated. Then, a number of statistical techniques were employed for data analysis purposes. These include descriptive statistics, the generalized method of moments (GMM).

Nonetheless, the findings of this study can benefit many parties. First of all, the outcome of the current research could provide understanding to companies on their own current voluntary disclosure practices. As such, companies could make improvement so that more disclosure and transparency could be achieved. Secondly, the outcomes of the study could assist other users in comprehending the elements of voluntary disclosure of a company. Aside

from that, the regulatory bodies such as the ASE and the JSC could also peruse the study's findings in enhancing the practices of voluntary disclosure of the ASE listed companies in Jordan. Also, the study has empirically proven the existence of the relationship between the structures of corporate governance and voluntary disclosure in the half-yearly reports published by the ASE listed companies in Jordan. In particular, the variables that show statistical significance are: board compensation, number of shareholders, level of government ownership and Shariah approved company. Additionally, the study also confirms the moderating interaction effects of the Shariah approved company on the relationship between the structures of corporate governance and voluntary disclosure in the half-yearly reports published by the ASE listed companies in Jordan. In particular, the influence imparted by the factors of audit committee's presence, board size and block-holder ownership on the degree of voluntary disclosure appears to be greater amongst the Shariah approved companies.

The aforementioned evidence would be valuable to investors. This is because investors may be interested in placing their investment in the listed companies that possess certain variables of voluntary disclosure. Then, by investing in these companies, the disclosure of the said variables which include overall information, strategic information, financial information and non-financial information would be increased. As a result, investors could monitor their investments more closely. Aside from the investors, there are also other users who may be interested to know the variables that impart more influence on the voluntary disclosure of the listed companies. These users include analysts, authorities, creditors, as well as employees. As indicated previously, voluntary disclosure in the half-yearly reports is one of the company's typical ways of communicating with the public. Therefore, companies with a higher level of voluntary disclosure will be perceived more favourably by users, particularly, when certain voluntary disclosure items published by the companies are perceived by users as more valuable.

Further, the study finds information in voluntary disclosure namely, overall information, strategic information, financial information and non-financial information to be valuable to users. However, the study also finds that the ASE listed companies in Jordan did not disclose all of the items in their half-yearly reports. As such, the listed companies would benefit from understanding the information required by various users. In particular, the companies could ascertain the discrepancy that exists between the actual information that the users require and information being disclosed. As such, the information disclosed by the companies will be more useful to the users, and this will fulfil the needs of users and improve the companies' transparency as well.

Additionally, the empirical evidence obtained by the study on the moderating effect of the Shariah approved company could substantially enhance our knowledge on the practices of disclosure by the Shariah-compliant companies in Islamic countries. Aside from that, the preparers of financial statements could peruse the information provided by this study when communicating with the stakeholders. On the other hand, the stakeholders, for instance, the investors can peruse the results of the study to better understand the Shariah-compliant companies in Jordan when they are having their Islamic investment portfolios diversified. Further, the study outcomes allow the ASE listed companies to be classified as either Shariah approved or Shariah non-approved based on their activities. The Shariah approved companies are those whose activities are in compliant with the principles of Shariah. On the other hand, the non-approved companies entail those involved in activities that contradict with the principles of Shariah for instance, gambling (maysir), debt interest (riba) and producing or

selling prohibited products or services, for instance, pork, alcoholic beverages and illegal entertainment. Aside from that, the researcher is of the opinion that the Shariah-compliant companies in the Middle Eastern region should be given special consideration since investors who want to invest in Shariah approved companies are obliged to satisfy their spiritual requirements. This study is valuable for the domain of financial accounting, especially in terms of the practices of financial reporting. Apart from that, this study is among the first that fully examine the practices of voluntary disclosure in interim financial reporting among the ASE listed companies in Jordan which is a developing nation. Further, as the body of knowledge in this field is still in its infancy, the researcher hopes that this study would pave the way for more future researches on interim financial reporting worldwide. In addition to that, it is also hoped that this study will create opportunities and avenues for more in-depth research on interim financial reporting.

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