

Shedding Light on Voluntary Forward-Looking Information Disclosure: An International Comprehensive Literature Review

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Abstract

The current study aims to review the global body of literature concerning Forward-Looking Information Disclosure (FLID). Previous studies on FLID were categorised and evaluated based on five distinct themes: antecedents, measurements, determinants, characteristics, and consequences. Within this investigation, we have recognised methodological concerns, prospects for future research, and implications. The highlighted concerns pertain to the measurements of FLID and the empirical models used in prior studies. Our review uncovers several areas that warrant further investigation. The present study contributes valuable insights to the accounting literature. These insights hold potential implications for researchers, investors, managers, regulatory bodies, and policymakers, as they can aid in improving information quality and promoting greater transparency in annual report narratives.

Keywords: Voluntary Disclosure, Annual Report Narratives, Forward-Looking Information Disclosure, Governance, IFRS, Endogeneity.

Introduction

Two primary disclosure forms exist: mandated and voluntary (Dye, 1990). While mandated disclosures, such as interim statements, annual reports, and proxy statements, encompass the majority of financial reporting, management often holds onto additional information that is not required to be disclosed (voluntary disclosure), which can be valuable in assessing the prospects of a firm (Verrecchia, 2001). Investors need mandatory and voluntary disclosures to make informed decisions, with some voluntary disclosures being more beneficial than

mandatory ones (Mohamed et al., 2019). Beyer et al. (2010) reported that voluntary disclosures contain a significant portion of the information that attracts the attention of capital market decision-makers.

According to Meek et al. (1995), voluntary disclosures are additional information that managers provide beyond requirements in an effort to offer relevant accounting and other information to annual report users to rationalise their decision. Md Zaini et al. (2020) stated that voluntary disclosure refers to any extra unregulated information voluntarily disseminated by management and can be helpful for both users and the company to understand performance. Hussainey (2004) found that the information in annual reports may be divided into two categories: backward-looking and forward-looking information (FLI). The variance between them is that while backward-looking information denotes the outcomes of historical financial events, FLI denotes current plans and forecasts that improve investors' and other beneficiaries' ability to predict and assess the future financial performance of a company. As described by Celik et al. (2006) in their work paper, FLI consists of forecasting data, management's plan, and valuations of opportunities and risks.

One of the most substantial types of voluntary disclosure is FLID because it provides more information than any other accounting source to investors, as well as its ability to deliver value-relevant information to external users (Jog and McConomy, 2003; Hope, 2003; Beretta and Bozzolan, 2008; Beyer et al. 2010). According to Hussainey et al. (2003), FLI disclosure would enhance investors' abilities to foresee future cash flows and earnings. Additionally, Bozzolan et al. (2009) demonstrated that forward-looking financial information is helpful for investors to build their forecasts on. According to Kieso et al. (2014), investors pay greater attention to the company's future forecast performance than its past; therefore, FLI should incorporate both financial and non-financial information that investors value in the process of decision-making. Bozanic et al. (2018) demonstrated that managers provide more FLI than previous research suggested.

According to Kieso and Weygandt (1995), FLI is vital for various reasons. Firstly, FLI helps investors make rational decisions when making their investments. Secondly, the absence or lack of FLI in financial reports might lead decision-makers to depend on other sources, which may be inaccurate or less reliable. Lastly, the economic environment in which companies operate changes dramatically, so relying solely on historical information will not satisfy users' needs for information in their investment decisions. Hence, future-oriented information disclosure is needed to fulfil users' needs in such an environment. Since investors and other outsiders place a higher value on a company's forward-looking projections than on its historical performance, it makes sense that they would find forward-looking disclosure more useful. As a result of its importance, researchers in the last few years have been motivated to focus their studies on forward-looking disclosure and its causes (e.g., Menicucci, 2013; Bravo, 2016; Katmon and Al Farooque, 2017; Mousa and Elamir, 2018; Bravo and Alcaide-Ruiz, 2019; Mahboub, 2019; Buertey and Pae, 2020; Dey et al., 2020; Firmansyah and Irwanto, 2020; Rifai and Siregar, 2021; Abdelazim et al., 2022; Benameur et al., 2022; Effah et al., 2022). Thus, we are motivated to focus our review in this paper on FLID to identify any gaps or opportunities for future studies.

Hirst et al. (2008) reviewed the literature on management earnings forecasts as one type of FLID. However, they did not consider other kinds of FLID in their review. This motivates the present study to review the literature on FLID in annual report narrative studies to provide a broader representation of the information firms disclose regarding their future prospects.

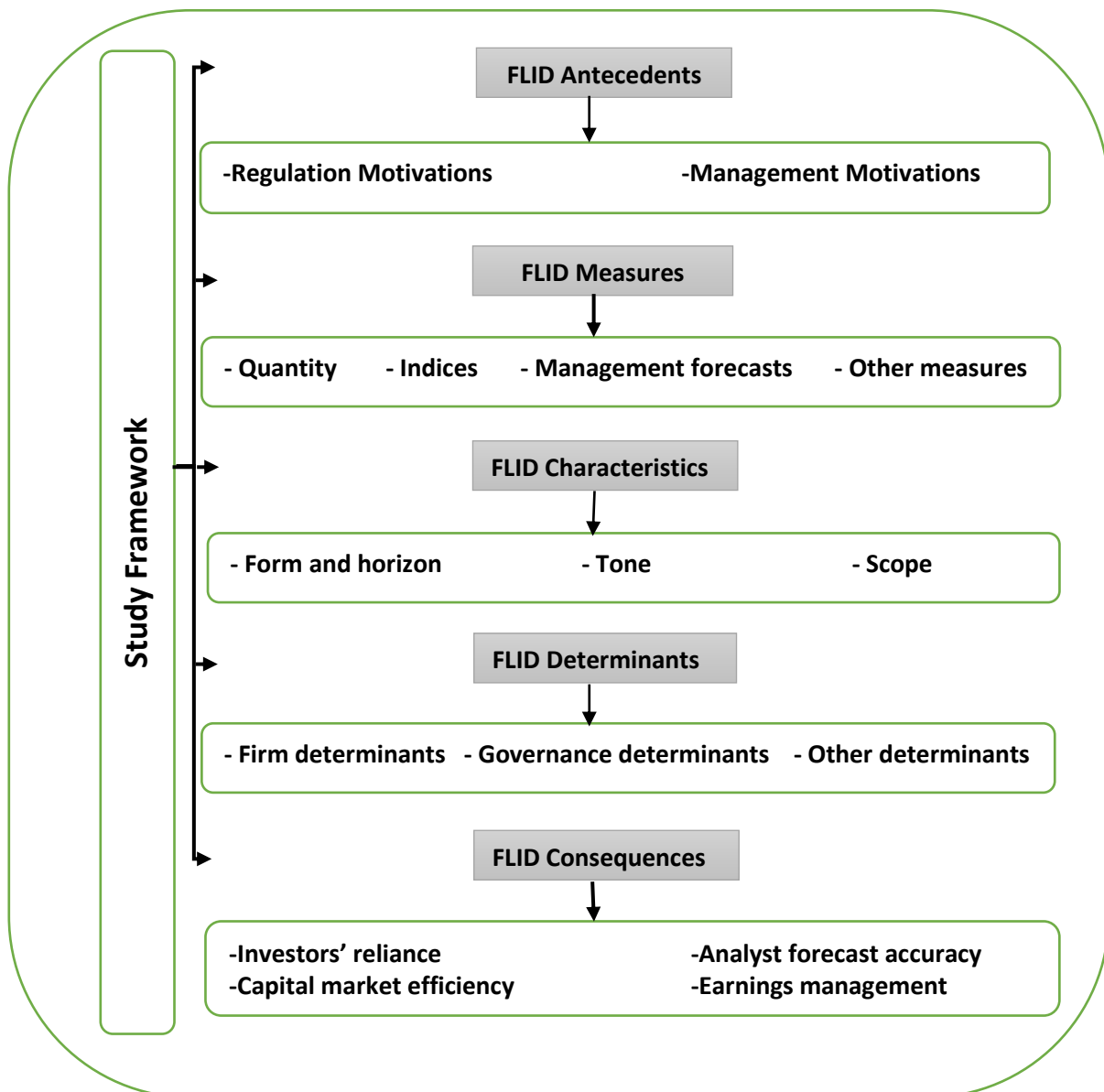
Over the past few decades, the scope of corporate disclosure has significantly expanded to serve better the information requirements of the primary users of the annual report. In order to achieve this, the conventional content included in the annual report has been substantially modified to encompass additional items of FLI as well (Mohamed et al., 2019). Besides management earnings forecasts, various financial and non-financial FLID were found to be significant for different stakeholders. For instance, Barron et al. (1999) reported that the accuracy of analysts' forecasts was positively linked to FLID on operations and capital expenditure. In addition, Flöstrand and Ström (2006) documented that analysts tend to place greater emphasis on forward-looking non-financial information. Furthermore, Tan et al. (2015) and Tan and Liu (2017) found that disclosing non-financial FLI can reduce financial constraints and enhance investment efficiency. In the same vein, Mohamed et al. (2019) surveyed institutional investors and financial analysts. They found that FLI on performance helps information users (i.e., investors and financial analysts) make investment decisions.

The current study contributes to the existing literature in several ways. First, it highlights concerns in the measurement of FLID. Additionally, the study sheds light on endogeneity issues inherent in studies related to the connections between FLID, corporate governance, firm value, and financial performance. Furthermore, the current review opens new avenues for exploration in future research. Finally, the study holds practical implications for managers, investors, analysts, regulators, and policymakers.

The remainder of this study is organised as follows: the subsequent Section presents a synopsis of the study's framework. Section 3 explores FLID antecedents, while its measurements are discussed in Section 4. Section 5 evaluates the characteristics of FLID, and section 6 reviews its determinants. The consequences stemming from FLID are explored in section 7. Finally, section 8 furnishes concluding comments and potential avenues for future research.

Literature Review Framework

The framework we use in this paper is adapted from the Hirst et al. (2008) framework, which was initially developed by Wiedman (2000). Hirst et al. (2008) characterise management earnings forecast disclosure as consisting of three components: antecedents, characteristics, and consequences. In our framework, i.e., Figure 1, we widen their framework by incorporating measures of FLID besides its antecedents, determinants, characteristics, and consequences.



Source: Adapted from Hirst et al. (2008) framework.
Figure 1: represents the literature review framework.

FLID Antecedents

Managers have various incentives to give more information than is required voluntarily. The emphasis in this Section is on what motivates companies to reveal or conceal future-oriented information freely.

Regulation Motivations

Although FLID is not mandatory disclosure, the nature of such information and the methods used to disseminate it can be influenced by the legal and regulatory environment in which the companies operate (Hirst et al., 2008). Regulatory and professional accounting organisations have emphasised the necessity of presenting FLI in annual reports to fulfil the user's changing needs and assist them in assessing the entity's future and making logical decisions. For example, in its published study *Improving Business Reporting: A Customer*

Focus in 1994, the AICPA brought attention to FLI (i.e., the Jenkins Committee Report). In the United States, the issuance of FLID, particularly management earnings forecasts, has significantly increased since Congress's enactment of the Private Securities Litigation Reform Act in 1995 (Choi et al., 2010). In 1999, the Australian Securities Exchange (ASX) introduced guidance that provides direction on preparing a review of operations and activities in annual reports. This guidance encouraged companies to include more FLI in the operation review section (O'Sullivan et al., 2008).

Furthermore, in their suggested new business reporting model (2003), the Institute of Chartered Accountants in England and Wales indicated that a large amount of information would be valuable to numerous stakeholders, including future details. Hence, such information should be incorporated into the new business reporting model (ICAEW, 2003). Similarly, according to the Accounting Standards Board (ASB, 2006), the Operational Financial Review (OFR) should provide a forward-looking perspective. The future-oriented perspective should represent the patterns and factors associated with management's judgement of the business's current and potential success, as well as progress toward reaching long-term business objectives. Furthermore, the Financial Accounting Standards Boards (FASB, 2001a and 2001b) recommended that business reporting be widened with other information, including a forward-looking outlook, such as management's plans, risks, opportunities, and measurement uncertainties, to assist users in predicting a company's financial future. According to the IFRS Practice Statement (published by the IASB in 2010), management commentary should incorporate FLI to provide management's opinion on the company's development. This material should describe the crucial trends and variables influencing the company's future outcomes, position, and growth and indicate anticipated opportunities. Likewise, the Malaysian Accounting Standards Board (MASB) issued Management Commentary Guidance (Statement of Principles 3) in February 2013, encouraging management to include more FLI disclosure in their annual reports' narrative to supplement the financial statements. Moreover, the International Integrated Reporting Council (IIRC) emphasised the need to incorporate future-oriented information in the integrated report in their 2013 international integrated report framework. Such information should not be limited to specific content elements (e.g., strategy, source allocation, and outlook), but should guide the selection and presentation of content throughout the report.

Empirically, Muslu et al. (2015) used computerised content analysis to study forward-looking sentences in MD&A sections across 44,708 annual reports of US firms from 1993 to 2009, finding a rise from 9.5% to 13.7% due to the regulatory encouragement of the Securities and Exchange Commission (SEC). Similarly, Li and Li (2020) found that management forecast frequency and horizon increased after US state courts recognised the Inevitable Disclosure Doctrine. Ho and Taylor (2013) analysed voluntary disclosure for 100 Malaysian firms from 1996 to 2006, finding a 35% increase in FLI attributed to the reporting regime, the introduction of the Malaysian Corporate Governance Code, and regulatory changes.

Management Motivations

In the case of FLI disclosure, managers' incentives to reveal or conceal information can be described by several theories (Healy and Palepu, 2001). Based on previous empirical evidence, managers may disclose future-oriented information for capital market reasons. For example, managers may improve disclosure to minimise information asymmetry, lowering capital costs and debt. Coller and Yohn (1997) suggested that disclosing future-oriented information in

annual reporting was critical to minimising information asymmetry between a company's insiders and information users and, as a result, helped to lower the cost of capital (Aljifri and Hussainey, 2007; Hussainey and Mouselli, 2010). This debate supports the capital market transactions theory as a motivation for voluntary disclosure (Healy and Palepu, 2001). In addition, managers with stock options willingly release more information to boost the market's share price. Stock-based compensation and share ownership help to alleviate the disclosure agency problem (Healy and Palepu, 2001). Consistent with this argument, Nagar et al. (2003) and Lakhali (2005) discovered that the frequency of management earnings forecasts was positively associated with the fraction of managers' compensation that was affected by share price and the value of stocks held by managers. These findings support the stock compensation theory.

Managers may find it challenging to provide accurate estimates when uncertain about the future. Consequently, the probability of litigation increases when firms reveal erroneous FLI, which is consistent with the litigation cost theory (Hail, 2002; Kent and Ung, 2003). Managers have substantial incentives to decrease such disclosures in this case, especially if they believe that the legal system cannot distinguish forecast errors owing to uncertainty from purposeful managers' bias. Disclosing FLI in the financial reports is not only an object of investors' interest but also of competitors. It might harm the company's competitive position when competitors have easy access to information about investments and plans (Kent and Ung, 2003). According to PWC (2007), many firms are concerned about the rising need for FLI, which drives them to uncover competitively sensitive information. For example, releasing favourable forward-looking earnings data may enhance competitiveness by attracting new competitors (Kent and Ung, 2003). As a result, managers may reduce the likelihood of sharing FLI in order to balance the benefits and risks of such disclosure. This argument is in harmony with the proprietary cost theory (Verrecchia, 1983; Healy and Palepu, 2001).

FLID Measurements

Because there was no unified definition of disclosure quality, objectively quantifying quality was problematic in academic research (Beyer et al., 2010; Krause et al., 2017). As Botosan (2004) suggested, developing a quality measure was not an easy undertaking. It was also supported by several proxies and ongoing attempts in the literature to evaluate FLID quality, such as quantity, indices, management forecasts, and other attempts.

Quantity

The most common approach in the literature for measuring FLID is the quantity (frequency) of FLI disclosed (e.g., Mouselli et al., 2012; Hussainey and Mouselli, 2010; Katmon and Al Farooque, 2017; Bravo and Alcaide-Ruiz, 2019; Abdallah and Eltamoly, 2022; Benameur et al., 2022). These studies preferred this measure for several reasons. Firstly, professional accounting authorities encourage more forward-looking narratives in annual reports. Secondly, previous studies found a positive correlation between the amount of FLI and better decision-making (Hussainey et al., 2003; Berrieta and Bozzolan, 2008), as well as the stock market's ability to predict earnings changes (Hussainey and Mouselli, 2010; Muslu et al., 2015). Thirdly, the extent of FLI was widely used as a measure of disclosure quality in previous research, helping researchers compare the conclusions of their studies to previous ones.

Previous studies assessed FLID quantity through manual or automated content analysis. Unlike extensive manual content analysis, the automatic content analysis method allows for

data collection for a large sample (Wang and Hussainey, 2013). Many previous studies have made use of automated textual analysis (Li, 2010; Mouselli et al., 2012; Muslu et al., 2015; Katmon and Al Farooque, 2017; Bozanic et al., 2018; Abdallah and Eltambohy, 2022; Benameur et al., 2022). Two main methods of automated content analysis are rule-based (dictionary) and statistical approaches (Li, 2010). The rule-based approach involves a computer program using predefined rules to classify words or phrases (e.g., QSR N6, QSR NVivo, and CFIE). The statistical approach, developed by computer scientists and mathematicians, uses statistical techniques to classify documents and infer their content (e.g., Naïve Bayesian and Perl algorithms). However, some previous studies used manual content analysis to identify FLID quantity (e.g., Bravo and Alcaide-Ruiz 2019).

Disclosure Indices

Because it might be challenging to evaluate disclosure quality in a direct way, disclosure index studies make the assumption that the volume of information on particular subjects can proxy disclosure quality (Beattie et al., 2004a). As a result, disclosure index studies were often based on a checklist of topics, with a score assigned to each item provided. That was done without taking into account the frequency with which such information was disclosed. The term "occurrence" was used to describe this method of analysis (Joseph and Taplin, 2011). Occurrence permitted a range of disclosures from various companies to be contrasted and compared with one another (Beattie and Thomson, 2007). A binary coding scheme, in which an item's existence or absence was recorded, was the most common method of recording information. However, others used ordinal measures (often in sets of three) to score the quality of the information disclosed (Beattie et al., 2004a).

Like FLID quantity studies, FLID index studies employed manual or automated content analysis. However, in contrast to FLID quantity studies, the majority of index studies opted for manual content analysis (e.g., Abad and Bravo, 2018; Mahboub, 2019; Buertey and Pae, 2020; Dey et al., 2020; Firmansyah and Irwanto, 2020; Rifai and Siregar, 2021; Abdelazim et al., 2022; Effah et al., 2022).

Management Forecasts

Some studies used management forecasts to proxy FLID (e.g., Ajinkya et al., 2005; Francis et al., 2008; Li and Yang, 2016). Due to existing databases (i.e., the First Call Database) providing such estimates, management forecasts are widely employed in research in the United States. First Call carries annual and quarterly forecasts for most US companies (Hussainey, 2004; Ajinkya et al., 2005). Since this review paper focuses on FLID in annual report narratives, few previous studies have used management earnings forecasts collected from annual reports rather than databases. For example, Li and Li (2020) used manual content analysis to collect data about management earnings forecasts from annual report narratives. The advantage of using such forecasts is that they can be verified because they are measured accurately and represented in points or ranges of earnings, sales, or revenues.

Other Attempts

Although assessing disclosure quality is critical, it's not always possible, and few attempts have been made to develop a comprehensive framework. Beattie et al. (2004a) and Beretta and Bozzolan (2008) developed multi-dimensional frameworks to quantify FLID quality. Beattie et al. (2004a) offered a four-dimensional framework for analysing annual report

narratives for 12 UK food firms. The four dimensions included quantity, occurrence, time orientation, and financial orientation. However, the literature critiqued this approach for lacking a regulatory basis (Botosan, 2004). In addition, Beattie et al. (2004a) failed to provide evidence to support their central claim that firms that disclose more are of higher quality (Chakroun and Hussainey, 2014).

Furthermore, Beretta and Bozzolan (2008) developed a framework for evaluating FLID quality, building on Beattie et al.'s (2004a) work. They proposed that high-quality information substantially enhances analyst inferences and supports better earnings predictions in the future. Their multi-dimensional framework included disclosure quantity and information richness, determined by breadth and depth. However, Beretta and Bozzolan (2008) acknowledged that their metrics for quality are subjective because they depend on the perception from which the disclosure is viewed and judged. In summary, Beattie et al. (2004a) and Beretta and Bozzolan (2008) provide a good starting point for developing a multi-dimensional quality framework.

FLID Characteristics

This Section delves into its characteristics to further deepen the understanding of FLID. This study has meticulously reviewed the attributes of FLID, categorising them according to form and horizon, tone, and scope.

Form and Horizon

Beattie et al. (2004a) studied voluntary narratives in 11 UK food firms, finding that 13% were future-oriented but primarily qualitative. In a separate study, Beattie et al. (2004b) examined 27 firms across three sectors and found the FLI to be mainly qualitative. Furthermore, O'Sullivan et al. (2008) examined the annual reports of 183 Australian corporations in 2000 and 2002, finding 282 and 297 future-oriented text units, respectively, which were primarily qualitative and appeared in words by the chairman, CEO, and managing directors. Athanasakou and Hussainey (2014) found that most of the FLI in UK firms' annual reports did not refer to a specific time horizon, hindering its monitoring. Moreover, Kent and Ung (2003) found that half of their sample of 57 Australian companies disseminated related-earnings FLI without point estimates, usually with an optimistic bias, while the rest did not disclose such information. In the same vein, Krause et al. (2017) examined the precision and horizon of management forecasts around crisis time in Germany. They documented a drop in accuracy and horizons during the crisis for firms that continued forecasting.

Tone

Some previous literature examined the tone of FLID in annual reports. For instance, O'Sullivan et al. (2008) discovered that 88% of FLI statements identified in Australian annual report narratives were positive (indicating upward movement), 8% were negative, and only 2% were neutral in 2000. Similarly, they found 97% were positive, 1% were negative, and 2% were neutral in 2002 narratives. In addition, Schleicher and Walker (2010) used a manual content analysis approach to measure the tone of FLID and created an overall measure by combining positive, neutral, and negative statements. They found most FLID statements were positive, even for firms with impending bad news. Schleicher (2012) extended the study of Schleicher and Walker (2010) and re-examined the positive statements. He found that firms with bad news reveal positive statements with less directional forecasting, fewer statistics, fewer

reinforcing qualifiers, and no specific time horizons. Furthermore, Li (2010) investigated the tone of FLID in the US annual report narratives' management discussion and analysis section. He discovered that almost 20% of FLI statements were positive, 19% were negative, and nearly 40% were neutral. He was, however, uncertain about 22% of the statements' tone. He also discovered that companies' forward-looking disclosures were more optimistic when they had better performance, lower return volatility, and smaller size. Moreover, Lang and Lundholm (2000) examined the FLID for IPO firms, and they found an increase in positive statements and a decrease in negative statements before issuing new equities.

Scoop

Previous literature has used different schemes to categorise FLI, making it difficult to draw definitive conclusions. For example, Menicucci (2013) grouped forward-looking statements into four categories with 15 items: a) the nature of the business; b) managers' objectives and strategies; c) sources, risks, and relations; and d) results and prospects. Beattie et al. (2004b) found that the operations, forward-looking, and strategy topic classes, contended to be of critical significance, accounted for only 23% of all disclosures. Furthermore, Beattie et al. (2004a) divide FLI into several categories based on the Jenkins report (AICPA, 1994). They concluded that the most forward-looking data was about activities, plans, risks, and opportunities. In the Australian context, O'Sullivan et al. (2008) found that most of the FLID in annual report narratives were related to profit, earnings, income, sales, and revenue. In contrast, a few were related to cash flow. In addition, Abed et al. (2016) categorised FLI into four fundamental groups: financial information, strategic information, structural information, and environmental information. Li (2010) divided 30,000 future-oriented sentences into twelve categories, and he found the dominant ones included information about revenues, costs, profits, and operations, which comprised 62% of FLI content, and 32% of FLI content was about investment, finance, and liquidity. To sum up, from the examples mentioned earlier, it is noticed that different researchers used different themes, and managers tend to disclose soft, qualitative, and non-earnings-related topics. To put it another way, they concentrate on issues that would make it more difficult for those from the outside to accurately measure and monitor its accuracy (Schleicher and Walker, 2010).

FLID Determinants

Most previous research has focused on the conventional firm-specific determinants of FLID (e.g., firm size, leverage, profitability, and industry). Other researchers, on the other hand, investigated the association between attributes of corporate governance and FLID.

Firm-Specific Determinants

Firm Size has been regarded as the most often used predictor to clarify the level of the firm's disclosure in prior literature (Ahmed and Courtis, 1999). Remarkably, most previous studies on the relationship between firm size and FLID identified its significance and found that company size explained its levels. Larger companies, for example, were found to release more FLID than smaller ones (Kent and Ung, 2003; Beretta and Bozzolan, 2008; O'Sullivan et al., 2008; Hussainey and Al-Najjar, 2011; Wang and Hussainey, 2013; Muslu et al., 2015; Romano et al., 2019). Several reasons justify the positive relationship between firm size and FLID. Firstly, larger companies face greater information asymmetry between management and stockholders, leading them to reveal more information to address the agency problem (Celik

et al., 2006). Additionally, the political-cost theory suggests that larger companies disclose more information to reduce government intervention and enhance their public image (Firth, 1979; Celik et al., 2006; Dey et al., 2020). Furthermore, larger firms have more resources to cover the costs of producing and disseminating information (Firth, 1979; Aljifri and Hussainey, 2007). Moreover, giant corporations provide more information about future earnings due to their consistent performance (Kent and Ung, 2003). Finally, larger firms are more likely to seek finance from the financial market, leading them to disclose more information to increase their capital (Mousa and Elamir, 2018). However, Dey et al. (2020) found a negative relationship between FLID and firm size, and some studies documented no significant relationship between the two (e.g., Menicucci, 2013; Al-Najjar and Abed, 2014; Mahboub, 2019).

Profitability has been employed as a determinant of FLID disclosure in several studies. According to signalling theory, well-performing companies are more likely to reveal additional information because they use enhanced disclosure strategically to send positive signals to capital market participants and differentiate themselves from losers (Singhvi and Desai, 1971; Watson et al., 2002; Qu et al., 2015). According to this theory, many previous studies have indicated a positive association between a firm's profitability and FLID (e.g., Miller and Piotroski, 2000; Menicucci, 2013; Qu et al., 2015; Mahboub, 2019). Some prior research, however, revealed no relationship between a firm's profitability and FLID (Uyar and Kilic, 2012; Mousa and Elamir, 2018; Effah et al., 2022), and Celik et al. (2006) discovered a negative relationship.

Leverage is one of the firm's characteristics that has been investigated as a determinant of revealing FLI in accounting literature. According to agency theory, high-leverage companies should display more information to meet the needs of creditors and debenture holders. By doing so, companies attempt to reduce capital costs by minimising investor uncertainty (Watson et al., 2002; Celik et al., 2006). Leverage is found to have a significant and positive relationship in many previous studies (e.g., O'Sullivan et al., 2008; Mousa and Elamir, 2018; Dey et al., 2020). However, some existing research in the literature reported insignificant associations (e.g., Uyar and Kilic, 2012; Effah et al., 2022).

The Industry is another predictor of FLID that has been extensively studied in past literature. According to the institutional theory, firms in an industry tend to imitate the disclosure behaviour of other firms in the same sector (Abed et al., 2014). Watson et al. (2002) proposed that if one dominant firm in a specific industry has high disclosure levels, other firms in that sector may follow. Furthermore, Miller and Piotroski (2000) proved that firms in high-litigation sectors were likelier to publish FLI than those in low-litigation industries. According to Wang and Hussainey (2013), the level of FLID in the technology, utilities, oil and gas, and healthcare sectors is much lower than in other sectors. Furthermore, Alkhatib (2014) reported that the service sector had a higher level of FLID than the industrial sector. Abed et al. (2014) found significant industry variances in the disclosure of future forecasts. For example, they discovered (in 2004 and 2005) that all telecom companies communicate forecast information. In comparison, only one-third or fewer of the technology and oil and gas companies reported forecasts throughout the same period.

Corporate Governance Determinants

Another strand of the accounting literature has examined corporate governance as a critical factor in a company's disclosure. Firms with efficient corporate governance are more able to

deter managers from exploiting their assets by scrutinising managers' business actions (Ajinkya et al., 2005; Prawitt et al., 2009) and, hence, lowering management's self-serving disclosures (Osma and Guillamón-Saorn, 2011). Corporate governance should improve voluntary disclosure and diminish asymmetric information by monitoring managers' opportunistic behaviour since it is a monitoring tool that can govern managers' decisions (Larcker et al., 2007). In this subsection, the present study reviews corporate governance attributes that affect FLID in the previous literature.

Board Size: The composition of the board of directors is a critical component of company governance and significantly impacts how openly a firm shares its information with the public (Liu, 2015). The board of directors sets the goals and policies that the managers implement, and as a result of its oversight responsibilities, the board of directors can affect managerial actions that boost FLID (Al-Najjar and Abed, 2014; Dey et al., 2020). The relationship between the size of the board of directors and FLID is mixed. On the one hand, some argue that a smaller board is more effective since a larger board presents more challenges in coordination and communication (Wang and Hussainey, 2013). Based on this argument, some previous studies have documented a negative relationship between FLID and board size (e.g., Alfraih and Almutawa, 2017). On the other hand, prior literature suggests that larger boards are more effective, and transparency is a crucial factor in boards' ability to perform their work efficiently (Aljifri et al., 2013). Larger panels may have a greater variety, including financial experience and expertise, which may influence management's voluntary disclosure decisions and enhance FLID (Wang and Hussainey, 2013; Dey et al., 2020). Therefore, Wang and Hussainey (2013), Al-Najjar and Abed (2014), and Effah et al. (2022) have found a significant positive impact of board size on FLID. Nevertheless, Benameur et al. (2022) documented a negative relationship, and Buerterey and Pae (2020) and Choi et al. (2022) discovered an insignificant relationship between board size and FLID.

Board Independence: Boards of directors are composed of individuals from top management as well as those from outside the company (Donnelly and Mulcahy, 2008). The percentage of outside directors on a firm's board is an indicator of the board's independence (Buerterey and Pae, 2020). The presence of independent directors improves the board's transparency and responsibility to capital providers while also ensuring the optimal use of corporate resources (Dey et al., 2020). Agency theory suggests that independent directors serve as a control and monitoring mechanism that reduces information asymmetry and mitigates agency costs, thus improving voluntary disclosure (Fama, 1980; Buerterey and Pae, 2020). Accordingly, independent directors may have the ability to compel management to provide more FLI if they have a higher proportion on a board (Wang and Hussainey, 2013). Accordingly, many previous studies have documented a positive link between board independence and FLID (Wang and Hussainey, 2013; Liu, 2015; Qu et al., 2015; Buerterey and Pae, 2020; Effah et al., 2022). However, Hussainey and Al-Najjar (2011) discovered a negative association and Uyar and Kilic (2012) found an insignificant association between the two.

Audit Committee Size: An audit committee's presence has a significant impact on the level of information disclosed by a company (Ho and Wong 2001). Audit committees should be given adequate resources and authority to effectively carry out their growing responsibilities (Li et al., 2012). According to Be'dard et al. (2004), if the audit committee is larger, it increases the chances of identifying and addressing possible issues in financial reporting. That is because a larger committee panel can offer a broader range of perspectives and expertise, which is necessary for effective monitoring. In contrast, Karamanou and Vafeas (2005) suggested that

large audit committees may also encounter process losses and diffusion of responsibility. There is no consistent empirical evidence regarding the association between audit committee size and the disclosure of FLI. For instance, Wang and Hussainey (2013) used the POLS estimator and failed to find a significant relationship between audit committee size and the disclosure of FLI; however, they found a negative association using the Random-Effect estimator. Using the OLS estimator, Rifai and Siregar (2021) found a positive relationship between the two variables.

Audit Committee Independence: The efficiency of a committee board may be significantly improved by its independence (Foo and Zain, 2010). Karamanou and Vafeas (2005) proved that an effective committee board could direct management to disclose higher-quality information. Independent members on the committee board are believed to be more valuable from an agency's perspective because of their ability to check and oversee management, hence lowering agency problem incidence (Fama and Jensen, 1983). In line with this argument, previous studies have looked into the relationship between FLID and audit committee independence. For instance, O'Sullivan et al. (2008) and Al-Najjar and Abed (2014) have found a positive and significant link between FLID and audit committee independence. Similarly, by concentrating on the period of change in OFR regulation from 2004 to 2006 in the UK, Abed and Al-Najjar (2016) documented that audit committee independence positively affected FLID. However, Choi et al. (2022) found a negative link between audit committee independence and FLID in the Malaysian context.

CEO Duality: The term "CEO duality" refers to a situation in which the CEO also serves as the board chair (Cerbioni and Parbonetti, 2007). According to agency theory, the CEO's dominance over the other board members could result in inadequate monitoring, reducing the efficiency of corporate governance (O'Sullivan et al., 2008). The presence of personal control over the board may facilitate opportunistic behaviour and consequently result in poor disclosure (Wang and Hussainey, 2013). However, the duality of the CEO's rule could put him or her in a favourable position to make timely and relevant decisions (Brickley et al., 1997). Even though Haniffa and Cooke (2002) and Elgammal et al. (2018) have found an insignificant association between CEO duality and FLID, a negative connection has been reported by some previous studies (e.g., Lakhali, 2005; Wang and Hussainey, 2013).

Gender Diversity: Board diversity describes the variety of board members in terms of gender, age, ethnicity, personality, education, expertise, and skill (Coffey and Wang, 1998). A more gender-diverse board fosters additional perspectives and ideas during board discussions, which improves the board's decision-making (Dey et al., 2020). Frias-Aceituno et al. (2013) argued that having a diverse range of genders represented on corporate boards impacts the willingness to share more information voluntarily. Gender diversity hasn't received significant focus in previous studies when examining FLID determinants. However, more contemporary research suggested that it can enhance the dissemination of FLID (i.e., Dey et al., 2020; Abdelazim et al., 2022; Choi et al., 2022; Abdallah and Eltamboly, 2022; Effah et al., 2022).

Auditor Size: The type of auditor is a frequently used variable that determines the level and nature of corporate disclosure. Large auditing firms may have an impact on their clients' reporting practices due to their extensive experience and great reputations in the field (Hail, 2002). It is argued that auditing firms with international affiliations are more efficient than those that don't (Alkhatib, 2014), and they may use the information disclosed by their clients to signal their quality as well (Uyar and Kilic, 2012). In addition, global audit firms have a responsibility to uphold international standards and help promote the disclosure of

information (Alkhatib, 2014; Dey et al., 2020). Regarding the relationship between auditor size and FLID, Aljifri and Hussainey (2007) indicated an insignificant association between auditor size (i.e., Big-4) and disclosure of forward-looking information. However, Uyar and Kilic (2012), Alkhatib (2014), Dey et al. (2020), and Effah et al. (2022) have reported that auditor size had a positive impact on FLID.

Corporate Ownership: The relationship between company ownership and FLID has been studied in previous literature. Various types of ownership, such as managerial, institutional, foreign, concentration, family, and government ownership, have been found to influence FLID. Based on prior literature, managerial ownership has been negatively related to FLID, as internal shareholders may have early access to FLI, reducing the firm's incentive to voluntarily disclose such information (e.g., Wang and Hussainey, 2013). However, Hussainey and Al-Najjar (2011) found a positive link between insider ownership and FLID. Moreover, institutional ownership has been found to have a positive relationship with FLID, with high foreign and domestic institutional ownership being associated with higher FLID (e.g., Lakhali, 2005; Liu, 2015; Nagata and Nguyen, 2017; Benameur et al., 2022). According to findings from previous literature, institutional investors can influence companies to adopt improved disclosure practices. Conversely, investors with strong business connections and access to confidential information about the companies may limit the flow of information to other investors (Wang and Hussainey, 2013). Based on this argument, Agyei-Mensah (2017) found an insignificant relationship between institutional investors and FLID in Ghana and Botswana. Moreover, Choi et al. (2022) found that foreign ownership was one of the critical factors that positively influenced FLID in the Malaysian context. Furthermore, political connections can influence the disclosure of FLID. For instance, Rusli et al. (2020) and Al Lawati (2022) found that politically connected firms had higher levels of FLID. Similarly, Abdallah and Eltamby (2022) found that ownership concentration was positively related to FLID. Family ownership has shown mixed results, with Aribi et al. (2018) finding a positive relationship with FLID, while Ananzeh et al. (2022) found a negative relationship. Government ownership has also shown mixed results. For instance, Eng and Mak (2003) found a positive relationship between government-controlled firms and FLID, while Liu (2015) found a negative relationship, and Qu et al. (2015) found no significant relationship in the Chinese context.

Other Determinants

As discussed above, most of the previous literature focused on firm-specifics and corporate governance attributes as factors that may determine FLID. However, other factors, such as earnings management and accounting standards, may not be given the same attention when investigating FLID determinants.

Earnings Management: The quality of earnings numbers pertains to the actual financial state of a company as well as its capacity to generate earnings in the present and future periods, which in turn influences its voluntary disclosure practices (Karajeh, 2020). Theoretically, signalling theory suggests that firms with high earnings quality (low earnings management) may increase voluntary disclosure to signal their qualities and distinguish themselves from those of low quality (Ghazali, 2008; Li, 2019). In contrast to this theoretical argument, empirical evidence has suggested a negative relationship between earnings quality (i.e., high earnings management) and FLID. For example, Francis et al. (2008) found that management forecasts were positively related to earnings management. In contrast, Li (2010b) found that earnings management has a positive impact on FLID. Managers who engaged in earnings

management through accruals were more likely to disclose more future-oriented statements in the MD&A sections of US companies. However, Athanasakou and Hussainey (2014) failed to find a significant connection between earnings management and FLID.

Accounting Standards: Few studies have examined the impact of accounting standards on FLID. For example, Chen et al. (2017) focused their study on the distinctions between FASB and GAAP with respect to the voluntary reporting of FLI regarding the capitalisation of R&D costs. To accomplish their goal, they studied a sample of companies, some of which adopted IFRS and others that adopted US-GAAP and found that the FLID for companies that adopted IFRS was greater and more valuable in relation to stock prices. Furthermore, Li and Yang (2016) examined the influence of IFRS on management earnings forecasts as a type of FLID between 2002 and 2004 before the adoption of IFRS and between 2005 and 2010 after the adoption era. Their sample covers 26 countries where IFRS adoption was mandated in 2005, and they found that the incidence and frequency of management earnings forecasting disclosure increased dramatically after IFRS adoption became mandatory. In contrast, according to Rhee et al. (2016), Korean companies are less likely to share their earnings forecasts after adopting IFRS. In the Malaysian context, Ho and Taylor (2013) examined different voluntary types of disclosure for 100 Malaysian firms over three periods where a series of regulatory and governance changes were made (i.e., 1996, 2001, and 2006). They found that all voluntary types of disclosure, in general, increased through the three periods, and FLI increased from 1996 to 2001 by 17% and from 1996 to 2006 by 35%. The researchers attributed this increase to some reasons, one of which was the convergence of accounting standards to IFRS. Although some past studies have investigated how the adoption of IFRS affects particular forms of FLID (such as R&D capitalisation and management earnings forecasts), there is no clear evidence indicating that the implementation of IFRS has a significant impact on the overall disclosure of FLI.

Audit Committee directors' Overlapping: Some recent studies have suggested an association between overlapping directorships and FLID (Al Lawati et al., 2021; Al Lawati and Hussainey, 2023; Al Lawati et al., 2023). Some argue that busy directors can acquire valuable expertise through their serving on different boards (Al Lawati et al., 2021). For instance, Al Lawati and Hussainey (2023) documented that overlapped directors served on audit committee boards positively related to FLID quantity. Additionally, Al Lawati et al. (2021) found that the quality of FLID in the chairman's report was higher for firms with multiple audit committee directorships. Similarly, Al Lawati et al. (2023) reported a positive link between FLID and both overlapped audit committee chairpersons and total overlapped directors on the audit committee board. They discovered that the number of directors with overlapping memberships, possessing financial expertise and holding multiple board seats in different firms, positively influenced both the quantity and quality of FLID.

FLID Consequences

Previous literature has empirically examined FLID and demonstrated that FLI has consequences in a variety of ways. In this Section, the current study discusses the consequences of FLID on investors, analysts, market efficiency, company value, and earnings quality.

Investors' Behaviour toward FLID

The information received by investors plays a crucial role in influencing their behaviour. When companies disclose sufficient and high-quality information, it can boost investor confidence and generate greater interest in the firm's stocks (Firmansyah and Irwanto, 2020). Athanasakou and Hussainey (2014) explored the credibility of FLID in annual report narratives, discovering that investors rely on FLID to forecast future earnings. Bozanic et al. (2018) discovered that disclosing FLI produces a strong reaction from investors. Similarly, Luo et al. (2006) and Muslu et al. (2011) have shown that FLID provides incremental information. Their findings revealed that publishing more FLI assisted investors in forecasting future earnings, whereas non-forward-looking information did not. Furthermore, Demerjian et al. (2020) discovered that in debt contract negotiations, FLID helped lenders project the borrowers' future performance; thus, borrowers who reveal precise forecasts experience reduced interest rate mispricing.

Accuracy of Analyst Forecasts

Another line of research in the literature has looked at the relationship between FLID and analyst forecasts, and their findings showed that FLID was connected with greater accuracy and reduced dispersion of analyst forecasts. For example, Lang and Lundholm (1993) claimed that analysts base their estimates on value-relevant information. This notion was strengthened by Lev and Zarowin (1999) and Vanstraelen et al. (2003), who found that FLID has been associated with higher accuracy and lower dispersion in financial analysts' earnings forecasts. In contrast, historical information did not affect their forecast accuracy. Furthermore, Bozzolan et al. (2009) evaluated the impact of FLID on the forecast properties of analysts in non-financial enterprises in Germany, France, Italy, and Switzerland. They discovered that quantitatively directed FLI improved the accuracy and reduced the dispersion of the analysts' forecasts. Similarly, Beretta and Bozzolan (2008) found that FLID had a large favourable effect on analyst forecast accuracy and dispersion.

Capital Market Efficiency

Moral hazards and adverse selection in the capital market arise from the presence of an information asymmetry between managers and investors (Tan and Liu, 2017). Muslu et al. (2008) found that managers presented FLI in MD&A to minimise information asymmetry in a poor information environment. They determined that FLID was valuable to the stock market. Furthermore, Tan et al. (2015) and Tan and Liu (2017) found that FLID could reduce financial constraints and enhance investment efficiency. Similarly, Firmansyah and Irwanto (2020) found that FLID was negatively linked to information uncertainty, and such information might help investors to make rational decisions in the capital market. In addition, Wang and Hussainey (2013) explored the value and relevance of FLID for a wide selection of UK firms. The findings suggested that revealing FLI boosted the market's ability to predict future profitability. Muslu et al. (2015) discovered that corporations provided more FLI in the MD&A when their stock prices did not accurately reflect future earnings. They proposed that further FLI in MD&A enhances stock prices' lower informational efficiency. Similarly, Schleicher and Walker (1999) investigated the impact of FLID on the informativeness of stock prices. They discovered that share prices are appropriately informed when annual reports include FLID. Moreover, Schleicher et al. (2007) showed that a significant magnitude of FLI related to profits in annual reports' narratives of loss enterprises improved stock returns' capacity to predict

future earnings change. Hussainey et al. (2003) and Hussainey and Walker (2009) investigated the informativeness of disclosure in annual report narratives. Their findings revealed that FLID considerably affected the relationship between stock returns and future earnings. Furthermore, Hassanein and Hussainey (2015) investigated the informativeness of financial FLI in the UK context. They claimed it would be uninformative if it did not differ from the previous year when a significant shift in firm performance occurred. They discovered that the financial FLID inside the UK annual report narratives includes relevant information, and that information was connected with the changes in corporate earnings performance. Besides, Bravo (2016) showed that financial FLID had a major impact on capital markets. According to their findings, FLID reduced stock return volatility, which was more remarkable for enterprises with a higher reputation. Li (2010b) demonstrated that firms with lower return volatility had more FLID, which was linked to future earnings.

Earnings Management

Some prior studies linked FLID to earnings management; their results were mixed. On the one hand, Mouselli et al. (2012) investigated the relationship between accrual quality (i.e., fewer earnings management) and FLID as a proxy for disclosure quality for UK non-financial companies from 1997 to 2004. They presented empirical evidence of a negative association between FLID and earnings management. Similarly, Katmon and Al Farooque (2017) conducted a study between 2004 and 2008 using 145 matched-pair sample data from UK firms to examine the relationship between FLID as a disclosure quality proxy and earnings management (i.e., discretionary accruals). They discovered a substantial and negative relationship between the two. The findings of these studies support the argument of Dutta and Giger (2002), who contend that voluntarily disclosing FLID may inhibit managers from managing earnings. On the other hand, some previous studies found a positive link between FLID and earnings management. In the US, Kasznik (1999) examined 499 firm-year observations and found a positive relationship between management forecasts and accrual earnings management. As a preventive strategy against the high probability of forecast errors, managers made accounting decisions that boosted earnings when actual earnings fell short of expectations and vice versa. In addition, managers' motivations for engaging in earnings management through deliberate interventions in the set of discretionary accruals were examined by Cormier and Martinez (2006) in the context of French IPOs. According to their findings, companies that published earnings forecasts had significantly greater levels of earnings management in the year after an IPO than those that did not. In the same vein, Gramlich and Sorensen (2004) researched Danish companies that voluntarily disclosed FLI between 1984 and 1996. They reported that managers adjusted earnings in line with their management forecasts.

Concluding Comments and Potential Opportunities for Future Studies

The primary objective of this study was to analyse the global body of literature concerning FLID. The conceptual framework employed in this paper was derived from the model proposed by Hirst et al. (2008), developed initially by Wiedman (2000). Preceding research on FLID was classified and assessed under five distinct themes: antecedents, measurements, determinants, characteristics, and consequences. Within this investigation, methodological concerns, prospects for future research, and implications have been recognised. The

highlighted concerns pertain to the measurements of FLID and the empirical models utilised in prior studies.

The definition of "quality of disclosure" is a complex, multifaceted, and subjective concept (Beattie et al., 2004a). The quality has been defined in varied ways. For instance, Hopkins (1996) defined quality as the extent to which investors can read and interpret the disclosed information easily. The disclosure's quality was defined by King (1996) as the degree of self-interested bias in disclosed information. Another definition was the precision of investors' beliefs after the issuance of disclosure (Diamond and Verrecchia, 1991). As defined by Singhvi and Desai (1971), "quality" refers to "completeness, accuracy, and reliability." Beretta and Bozzolan (2008) maintained that disclosed information is considered quality information if it leads to better inferences from market participants and supports a better estimate of future earnings. Due to the lack of a clear definition of disclosure quality, objectively measuring quality has been challenging in the literature (Beyer et al., 2010; Krause et al., 2017). It was not an easy task to develop quality measures, as argued by Botosan (1997, 2004). It was also evidenced by the different proxies and the continuous efforts in the literature to measure the quality of FLID.

Many approaches to measuring FLID have been identified in earlier research (see Section 4 for details). On the one hand, certain prior studies have oversimplified quality into a single dimension and used it as a proxy for the broader concept of quality. For example, FLID quantity has been employed as a proxy for FLID quality. While this approach has been extensively employed in the literature to assess the quality of disclosure, it has faced significant criticism for its inadequacy and inaccuracy. It was attributed to the inherent complexity of quality, and relying solely on a quantity-based metric was considered inadequate (Beattie et al., 2004a; Botosan, 2004; Cerbioni and Parbonetti, 2007; Beretta and Bozzolan, 2008).

Moreover, several prior studies either developed their own or adopted existing indices to measure FLID. However, proponents of this method primarily focused on counting occurrences of specific topics (the extent of relevant disclosure), which was closely associated with the quantity approach (Beattie et al., 2004a). Nevertheless, relying on manual content analysis, this proxy has been criticised for its high costs and subjectivity, compromising its reliability, value, and replicability (Shevlin, 2004). Similarly, some earlier research employed management earnings forecasts as a proxy for FLID. Yet, depending solely on management earnings forecasts might not be suitable for accurately assessing FLID quality, as diverse types of financial and non-financial information are pertinent to varying stakeholder needs.

On the contrary, attempts have been made in past literature to develop a multi-dimensional FLID measure (e.g., Beattie et al., 2004a; Beretta and Bozzolan, 2008). However, these attempts encountered limitations. While comprehensive, the application of manual content analysis proved time-consuming, labour-intensive, and subject to substantial subjectivity and potential human errors, undermining replicability (Nacos et al., 1991; Core, 2001; Shevlin, 2004; Abed et al., 2016). In addition, despite their multi-dimensional frameworks, these studies heavily relied on tallying disclosure items within each dimension. This counting method demonstrated a high potential for correlation with the quantity approach (Helfaya and Whittington, 2019). Additionally, their exhaustive content analysis constrained the analysis to small samples, with only 12 companies in Beattie et al. (2004a) and 87 companies in Beretta and Bozzolan (2008), raising questions about the precision of their findings.

The current literature lacks a trustworthy proxy to measure the overall FLID quality. Since quality is inherently complicated, adopting a one-dimensional measure alone may be unsuitable. Thus, a FLID quality framework should be a multi-dimensional one that jointly combines FLID quantity and other criteria. Future studies can build on Beattie et al.'s (2004a) and Beretta and Bozzolan's (2008) frameworks to develop a multi-dimensional measure to assure a less biased overall FLID measure. When developing the multi-dimensional measure of FLID, future studies can use automated methods to conduct the content analysis, such as QSR N6, QSR NVivo, CFIE, and Naïve Bayesian and Perl algorithms. Applying such techniques to a relatively large sample of narratives can result in significant time savings (Abed and Al-Najjar, 2016). Furthermore, automated content analysis outperformed manual content analysis in terms of reliability, stability, replicability, and comparability of results and was recommended to be used more in management research (Morris, 1994; Abed et al., 2016). Moreover, it seems that endogeneity issues plagued the empirical models specified in previous literature on FLID. From an econometric perspective, Chenhall and Moers (2007) contended that endogeneity was unavoidable in any management accounting empirical study and that no empirical paper was exempt from endogeneity issues; however, they emphasised that researchers should address endogeneity issues explicitly. Antonakis et al. (2010)'s study has indicated that at least 66% to around 90% of articles published in top-tier journals have not considered endogeneity bias in their research. As a result, they urged future studies to focus more on mitigating this issue. Assuming their models were free from endogeneity threats, previous literature on determinants of FLID has used static models, mainly ordinary least squares (OLS), and a few studies were found in earlier literature to use a fixed or random-effect estimator (refer to Table 1). Li (2010a) and Eugster (2020) have highlighted issues related to endogeneity in studies involving narrative disclosure. Drawing from corporate finance theory, Core (2001) and Ullah et al. (2018) proposed an inherent connection between voluntary disclosure, managerial motivations, company performance, and governance. Additionally, Wang and Hussainey (2013) acknowledged the presence of endogeneity between FLID and some aspects of corporate governance.

Also, in the future, researchers should consider the dynamics of voluntary disclosure as a source of endogeneity in their empirical models when looking at the relationship between FLID and other factors. Dynamic endogeneity describes a situation in which the past values of the dependent variable or one or more explanatory variables impact the dependent variable's current value (Ullah et al., 2018; Eugster, 2020). According to Alhazaimeh et al. (2014) and Chouaibi and Affes (2021), one period's disclosure of a certain type of disclosure, e.g., FLID in our case, is necessarily dependent on the disclosure of the same kind of information in the previous period. If the dynamics of disclosure are ignored, endogeneity issues arise and hinder the results of empirical models. Ullah et al. (2018) stated that endogeneity bias can result in inaccurate estimates and inferences. As the sample size increases, estimates diverge from the actual values, leading to misleading findings and incorrect theoretical interpretations. Such bias can sometimes result in coefficients with the wrong sign.

Empirical studies have identified some factors that influence FLID. Firms with efficient corporate governance are more able to deter managers from exploiting their assets by scrutinising managers' business actions (Ajinkya et al., 2005; Prawitt et al., 2009). As discussed above (see Subsection 6.2), previous studies have examined the isolated effect of each corporate governance attribute at a firm level. However, their results have shown mixed findings. Corporate governance mechanisms may work in a substitutive or complementary

manner (Misangyi and Acharya, 2014); thus, the use of combined measures of corporate governance and examining the joint effect instead of the isolation effect is recommended (e.g., Tang and Chang, 2015; Al-Jaifi et al., 2017). Hence, future studies could examine corporate governance effectiveness by constructing an aggregated measure based on internal and external corporate governance mechanisms at a firm level (e.g., board size, board independence, board meetings, board gender diversity, CEO duality, audit committee size, audit committee independence, audit committee meetings, and auditor quality). Future studies can also examine country-level governance determinants such as investor protection and accounting standards.

When considering FLID's consequences, it has been documented that FLID benefits investors, analysts, and the stock market. However, prior literature gave inconsistent outcomes in terms of earnings management, and whether FLID affects earnings management positively or negatively is still an open question that needs to be answered by using the appropriate methods and measurements. Previous literature has documented the existence of reverse causality in a situation where earnings management both influenced FLID and was influenced by FLID (see Subsections 6.3.1 and 7.4). Thus, future studies should consider reverse causality and dynamic relationships between earnings management and FLID in their empirical models. In addition, previous studies have mainly used accrual manipulation as a proxy for earnings management and have not considered other earnings management techniques used by managers, such as real activities and classification-shifting earnings management.

Furthermore, it has come to light that the consequences of FLID in developing countries are still uncovered. Research carried out in emerging markets predominantly concentrated on identifying the factors that determine FLID (see Table 1), neglecting its potential outcomes. Therefore, upcoming studies in developing countries could shift their focus from examining the determinants of FLID to exploring its consequences within their respective contexts.

The present study adds valuable insights to the accounting literature. These findings hold potential implications for researchers, investors, managers, regulators, and policymakers, as they can aid in improving information quality and promoting greater transparency in annual reports. For researchers, the current review of FLID opens new avenues for them to study, as well as the methodological issues they should be concerned about when studying the determinants and consequences of FLID. For investors, the present research illuminates the possible gains or threats associated with employing FLID as a basis for their investment decisions. For managers, our paper offers the opportunity to enhance their understanding of scholarly research findings pertaining to the consequences of their FLID. This knowledge will likely improve their decision-making capabilities, enabling them to make informed choices about issuing such disclosures. Due to the reduced motivation for managers to disclose FLID when facing litigation risk, especially if the target is unattainable and such disclosure may mislead investors and lead to unfavourable outcomes for them, regulators should grasp the concerns of managers regarding the content and consequences of FLID in annual report narratives. As a result, this study might serve as a catalyst to encourage regulatory bodies, especially in emerging markets, to implement guidelines that assist and protect FLID issuers in enhancing their communication with stakeholders. After reviewing the characteristics of FLID (refer to subsection 2.3), a notable absence of clarity regarding its reporting in terms of form, time frame, tone, and scope has been observed. As a result, the study's discoveries could serve as an enlightening insight for policymakers to reconsider the guidelines concerning FLID reporting in the narratives of annual reports. A well-defined policy could

motivate the preparers of a company's annual report to opt for complete disclosure rather than partial disclosure.

Table 1: Summary of the empirical research conducted within the past six years (2018-2023).

Author(s) and year	Jurisdiction and sample	Theme	Content analysis method	Model	FLID measure	Key results
Al Lawati et al. (2023)	Oman: 48 bank-year observations over the period 2014-2019	Determinants	Manual content analysis	OLS	Quantity	- Overlapping audit committee directorship positively affected FLID
Al Lawati et al. (2023)	Oman: 180 firm-year observations from 2014 to 2018	Determinants	Manual content analysis	OLS	Quantity and Quality	- Overlapping audit committee chairpersons and directorships negatively affected FLID quantity and positively influenced FLID quality. - Overlapping audit committee directorships with multiple directorships and those with financial expertise positively affected FLID quantity and quality
Abdallah and Eltamboly (2022)	The UK, Hong Kong, Italy and China: 353 firms in 2020	Determinants	Automated content analysis using CFIE and NVivo 12 software	OLS	Quantity	- Gender diversity and ownership concentration positively correlated with FLID.
Abdelazim et al. (2022)	Egypt: 294 firm-year observations over the period 2013-2018	Determinants	Manual content analysis	OLS	Disclosure index	- Profitability (ROA), leverage, and firm size were positively associated with FLID. - Big-4 auditors and industry impacted FLID negatively.
Al Lawati (2022)	Oman: 180 firm-year observations from 2014 to 2018	Determinants	Manual content analysis	OLS	Quantity and Quality	- Audit committee size, audit committee female members and audit committee with multiple memberships improved FLID quality
Ananzeh et al. (2022)	Jordan: 631 firm-year observation	Determinants	Manual content analysis	OLS	Disclosure index	- Board size positively affected FLID. - family ownership and CEO duality

	s from 2010 to 2016.					negatively impacted FLID.
Benameur et al. (2022)	Kuwait: 534 firm years from 2014 to 2018	Determinants	Automated content analysis using QSR N6 software	OLS	Quantity	- Board size and institutional ownership were less likely to publish FLI. - Independent directors and audit committee size positively affected FLID.
Choi et al. (2022)	Malaysia: 213 firm-year observations from 2017 to 2019	Determinants	Manual content analysis	OLS	Disclosure index	- Gender diversity and foreign ownership positively linked to FLID. - Audit committee independence affected FLID negatively.
Effah et al. (2022)	Ghana: 33 firms in 2019	Determinants	Manual content analysis	OLS	Disclosure index	- Gender diversity, board independence, and auditor type positively affected FLID - Firm size moderated the link between board size and FLID.
Rifai and Siregar (2021)	Indonesia: 285 firms in 2015	Determinants	Manual content analysis	OLS	Disclosure index	- Audit committee's size, expertise, and meetings positively related to FLID.
Buertey and Pae (2020)	Zimbabwe: 50 firms in 2013	Determinants	Manual content analysis	OLS	Disclosure index	- Positive relationship documented between board independence and FLID. - Board size and institutional ownership had no significant relationship with FLID.
Dey et al. (2020)	Bangladesh: 138 firm-years over the period 2013–2017	Determinants	Manual content analysis	OLS	Disclosure index	- Board size, Big 4 auditors, leverage, and profitability positively impacted FLID. - Firm size and listing age were negatively associated with FLID.
Firmansyah and	Indonesia: 153 firms-years	Consequences	Manual content analysis	Fixed Effect	Disclosure index	- FLID positively linked to information uncertainty.

Irwanto (2020)	observations between 2013 and 2015					
Li and Li (2020)	The US: 40,532 firm-year observations between 1998 and 2011	Determinants	Manual content analysis	OLS	Management earnings forecasts	- Management forecast frequency and horizon increased after the recognition of the Inevitable Disclosure Doctrine by US state courts.
Rusli et al. (2020)	Malaysia: 360 firm-year observations from 2014 to 2017.	Determinants	Automated content analysis using NVivo software	OLS	Quantity	- Politically connected firms disclosed more FLID - A higher presence of politically connected individuals on the board of directors enhanced FLID.
Bravo and Alcaide-Ruiz (2019)	The US: 100 firms in 2016	Determinants	Manual content analysis	OLS	Quantity and disclosure index	- No significant association was found between audit committee diversity and FLID.
Mahboub (2019)	Tunisia: 290 Bank-year observations over the period 2008-2017	Determinants	Manual content analysis	OLS	Disclosure index	- Profitability, liquidity, and capital expenditures positively influenced FLID. - Bank size, leverage and age had an insignificant association with FLID
Romano et al. (2019)	Italy: 183 firms in 2016	Determinants	Manual content analysis	Logit Regression	Binary (presence or absence of FLID)	- Firm size and independent directors positively affected FLID.
Abad and Bravo (2018)	The US: 171 firm-year observations in two years (i.e., 2007 and 2016)	Determinants	Manual content analysis	OLS	Disclosure index	- The accounting expertise of audit committee members was positively associated with FLID.
Aribi et al. (2018)	Jordan; 1,206 firm-year observations over the	Determinants	Manual content analysis	Random Effect	Disclosure index	- Gender diversity and family firms associated with higher levels of FLID.

	period 2008-2013					
Bozanic et al. (2018)	The US: 59,327 firm-quarter observations from 2004–2014	Consequences	Automated content analysis using Perl algorithm	OLS	Quantity	-Earnings forecasts and other FLID generated significant responses from investors and analysts.
Elgammal et al. (2018)	Qatar: 245 firm-year observations from 2008 to 2014	Determinants	Automated content analysis using Nvivo 11 Software	OLS	Quantity	- Foreign ownership positively influenced FLID. - Board size negatively impacted FLID.
Mousa and Elamir (2018)	Bahrain: 68 firm-year observations over the period 2010–2013	Determinants	Automated content analysis using QDA miner software	OLS	Quantity	- Leverage and firm size were found to be significant with FLID. - Industry, profitability, and liquidity had an insignificant association with FLID.

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