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Economic and political determinants of anti-corruption disclosure in the MENA region

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ABSTRACT

This paper studies the economic and political determinants of Corporate Anti-Corruption Disclosure (ACD) in the Middle East and North Africa (MENA) region banking sector. Twenty Lebanese banks, eleven Egyptian banks, fourteen Jordanian banks, and ten Saudi banks are studied from the period 2013 to 2019. A content analysis is implemented along with an explanatory study for 354 observations. The findings show that government effectiveness and the quality of accounting standards positively affect ACD. Conversely, a negative influence was found regarding the rule of law. These findings highlight the significant impact of having an effective government and adopting International Financial Reporting Standards (IFRS) on reducing corruption and promoting accountability, transparency, and disclosure. In the same manner, a strong and effective government that enforces the adoption of IFRS reflects the country's compliance with corporate governance practices, such as having independent audit committees, which contribute to reducing corruption and promoting disclosure and transparency. These results support the legitimacy theory. On the contrary, the negative association between ACD and the rule of law could be related to the defective and poor enforcement of law in some MENA region countries. This study assists policymakers in setting ACD laws and helps in designing strategies that aim to reduce corruption and improve disclosure practices.

Contribution/Originality: The originality of this paper arises from studying the economic and political aspects of ACD that are understudied in the MENA region. It provides novel insights to policymakers and standards-setters while establishing appropriate and effective ACD policies and laws and forming institutional reforms that encourage ACD and enhance transparency.

1. INTRODUCTION

Corruption has a cancerous influence because of the harm it causes to society, the economy, and the environment (Masud, Bae, Manzanares, & Kim, 2019; Masud, Rahman, & Rashid, 2022; Salem, Ezeani, & Song, 2023). Corporate anti-corruption disclosure (ACD) is regarded as a crucial tool to combat corruption and is considered a significant part of corporate social responsibility (CSR) disclosure (Ghazwani, Alamir, Salem, & Sawan, 2024; Halter, De Arruda, & Halter, 2009; Previtali & Cerchiello, 2023; Salem et al., 2023). CSR is concerned about corruption due to its incompatibility with sustainable development and its significant social, economic, political, and environmental costs

(Branco & Matos, 2016; Previtali & Cerchiello, 2023). Recently, global institutions like the Organization for Economic Co-operation and Development (OECD) and Transparency International have become more concerned about ACD by offering ACD guidelines, asking firms to increase ACD policies, and explaining their implementation process (Azizul Islam, Haque, Dissanayake, Leung, & Handley, 2015). Research on ACD has gained consideration in the accounting literature in the last decade (Salem et al., 2023; Utami & Barokah, 2024). UNGC (2009) stated that ACD has three main benefits. First, it increases employees' awareness and offers management control and discipline. Second, it improves the firm's reputation within its community. Third, it creates a mutual language to assess, compare, explore, and enhance anti-corruption challenges and practices (Previtali & Cerchiello, 2023; UNGC, 2009).

The extent of ACD serves as a powerful indicator that the firm is combating corruption, enhancing transparency and corporate governance (Duho, Agyenim-Boateng, Asare, & Onumah, 2023; Ghazwani et al., 2024; Salem et al., 2023; Transparency International, 2009; UNGC, 2009). Arsov (2012) emphasizes that when it comes to transparency, more is always better. Due to the growing demand for accountability and transparency, organizations are tending to increase the disclosure of social, environmental, economic, safety, and health performance, or what is known as "sustainability reporting" (Ghazwani et al., 2024; Leszczynska, 2012; Previtali & Cerchiello, 2023; Salehi, Ammar Ajel, & Zimon, 2023; Zamil, Ramakrishnan, Jamal, Hatif, & Khatib, 2023). Nowadays, transparency is considered a vital part of financial reporting, and its absence may give rise to weak company assessment and higher uncertainty. As a result, higher information risk arises, necessitating a higher investment yield and increasing the cost of capital, ultimately leading to lower stock prices and reduced liquidity (Salehi et al., 2023; Sari, Cahaya, & Joseph, 2021). Enhanced financial disclosure and increased transparency act as leading indicators and important pillars of the standard of corporate governance (Al-Janadi, Abdul Rahman, & Haj Omar, 2013; Salehi et al., 2023).

Corporate governance issues were highlighted after the East Asian currency and banking crisis and the downfall of Enron and WorldCom in the United States (Mahmood, Kouser, Ali, Ahmad, & Salman, 2018). The financial scandals caused a significant reduction in investors' confidence and made them more concerned about the probability of increased adverse selection costs in all equities big or small (Jain, Kim, & Rezaee, 2008). Governance attributes contribute to an improved business climate, particularly by fostering transparency and strengthening financial reporting practices (Buallay & Al-Ajmi, 2020). ACD is considered part of corporate governance reporting requirements. Improved governance and disclosure are regarded as a cornerstone of the legitimacy that reinforces the trust companies seek to establish with their stakeholders (OECD, 2015; Rashid, 2018). The core of corporate governance lies in managing the relationships among investors, managers, auditors, and other key stakeholders. It aims to develop a control system that safeguards the rights of interested parties, specifically shareholders who possess non-controlling interests. Thus, it mainly serves four objectives: accountability, clarity, justice, and respect for the rights of interested parties (Khoshbakht & Salteh, 2011).

Traditionally, CSR and ACD literature have primarily focused on firm-level variables such as profitability (Utami & Barokah, 2024), corporate governance (Ghazwani et al., 2024), earnings management (Salem et al., 2023) and others. In this research, we aim to extend traditional research and study the impact of country-level variables on ACD, which are underexplored compared to the firm-level variables. Specifically, the economic and political variables are investigated. Corporations are embedded within broader societal structures, and the prevailing social, cultural, economic, and political environments play a critical role in shaping disclosure behavior and transparency of financial reporting. Legitimacy theory highlights the social contract that exists between businesses and the broader society (Deegan & Rankin, 1996; Dowling & Pfeffer, 1975; Shocker & Sethi, 1973), underscoring the significant role of external environments in corporate existence. Consequently, corporations cannot be studied alone and separate from their environment. Thus, extending the firm-level variables and studying the country-level variables would be interesting.

This paper explores the influence of the economic and political determinants on ACD, which is understudied in the MENA region. It contributes to the existing literature by examining how political leaders, government structure,

and economic conditions influence efforts to encourage or combat ACD. It assists in providing novel insights to policymakers and standards-setters in taking economic and political factors into consideration while setting appropriate and effective ACD policies, laws, and strategies, and helps in formulating institutional reforms that encourage ACD and enhance transparency. The structure of this paper is as follows: the theoretical background is presented, followed by a literature review, the research methodology is constructed, and the results are highlighted and illustrated, followed by the discussion and conclusions.

2. THEORETICAL BACKGROUND

2.1. Agency Theory

According to agency theory, the agency problem emerges from the separation of ownership and management, mainly due to conflicting interests and unequal access to information between managers, shareholders, and creditors. Thus, information asymmetry results from the misallocation of information between them, and consequently, it is assumed that more disclosure can lead to lower information asymmetry and agency-related costs (Hanifa & Rashid, 2005; Jensen & Meckling, 1976).

2.2. Signaling Theory

Signaling results from information asymmetry in markets between directors and shareholders, where the directors are supposed to possess more information than investors. This creates information asymmetry; thus, managers of prestigious firms try to use voluntary disclosures to differentiate themselves, thereby reducing asymmetry by signaling relevant information to stakeholders (Celik, Ecer, & Karabacak, 2006).

2.3. Stakeholder Theory

It is concerned with creating value for stakeholders and how a business should operate, where various groups interact, create value, and operate within the interest of all parties involved (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). Stakeholder theory states that successful organizations can offer added value for all stakeholders (Salehi et al., 2023) and assumes that disclosure is a prerequisite to meet various stakeholders' needs (Freeman et al., 2010; Reverte, 2009; Salehi et al., 2023).

2.4. Legitimacy Theory

The legitimacy theory suggests that corporations and society are interdependent through a social contract (Branco & Rodrigues, 2006). This social contract between corporations and society states that society requires goods and services from corporations, while corporations require economic, social, and political benefits from society. Consequently, corporations that fail to obey this contract will face difficulties. Organizations must legitimize themselves to meet public expectations (Deegan & Rankin, 1996; Dowling & Pfeffer, 1975; Shocker & Sethi, 1973). This theory plays an essential role in CSR disclosure, as it assumes that its social obligation to society requires the firm to disclose the different socially favored actions in exchange for society's approval (Brown & Deegan, 1998; Deegan, 2002; Guthrie & Parker, 1989).

Thus, all voluntary disclosure theories advocate for increased corporate disclosure. Enhancing the disclosure level assists corporations in increasing transparency and confidence, reducing information asymmetry, minimizing the risk of doing business, and building trust with shareholders and creditors. This helps in better decision-making, improved capital allocation, and attracting more investments. Consequently, this is reflected positively on the corporations, stakeholders, and the overall society.

3. LITERATURE REVIEW

The economic system characteristics investigated in this research are the quality of accounting standards, economic development, and stock market development. These factors have been selected due to their extensive use in literature (Aldaz Odriozola & Álvarez Etxeberria, 2021; Baum, Gupta, Kimani, & Tapsoba, 2017; Healy & Serafeim, 2016; Houqe & Monem, 2016; Krishnamurti, Shams, & Velayutham, 2018).

3.1. Quality of Accounting Standards

Refers to the degree of alignment of financial information with the qualitative characteristics required by IFRS or US GAAP (Legenzova, 2016). The World Bank and other global institutions encourage IFRS adoption, and in some cases, IFRS adoption is considered a prerequisite for securing financing (Alfredson et al., 2007). IFRS adoption can significantly reduce corruption by enhancing disclosure and transparency (Houqe & Monem, 2016). Gallery, Cooper, and Sweeting (2008), who discussed the effect of implementing Australian equivalents of IFRS on financial disclosure quality in large Australian firms, discovered a strong relationship between IFRS adoption and disclosure quality. (Houqe & Monem, 2016) studied the effect of IFRS implementation and the level of disclosure on decreasing corruption and found that IFRS adoption and the extent of disclosure are negatively associated with corruption. Healy and Serafeim (2016), who investigated ACD and its impact on corruption risk, execution and monitoring costs, and firm value, identified a positive association between the quality of accounting standards and ACD. Yurisandi and Puspitasari (2015) and Dayanandan, Donker, Ivanof, and Karahan (2016), who both discussed the relationship between IFRS adoption and disclosure quality, found that IFRS adoption and financial reporting quality are positively associated. Hence, based on the literature, the next hypothesis is stated:

H₁: There is a positive association between ACD and the quality of accounting standards.

3.2. Economic Development

It refers to the progressive growth of an economy and a sustained increase in per capita income (Baldwin, 1966) as cited in Arndt (1981), Lee (2020). Corruption is considered an impediment to economic development, and it has the ability to cause severe outcomes (Aidt, 2009; Healy & Serafeim, 2016; Khojastehpour, 2015; Myint, 2000). It negatively impacts public investment, discourages foreign direct investment (FDI), and drives companies to operate within the informal economy (USAID, 2005). The fight against corruption is linked to economic and political changes (Paldam, 2002). Economic growth has a significant effect on reducing corruption since corrupt leaders' bribes are gathered from a growing pie, which is achieved by maintaining power and satisfying their community by decreasing corrupt acts (Aidt & Dutta, 2008). Investors commonly avoid investing in corrupt environments due to the substantial costs associated with doing business (Hills, Fiske, & Mahmud, 2009). Carini, Comincioli, Poddi, and Vergalli (2017), who discussed the relationship between CSR disclosure and firm performance, found that CSR disclosure and Gross Domestic Product (GDP) per capita are significantly associated. Paldam (2002), who performed cross-country research to study corruption behavior, found a significant association between corruption and GDP per capita. Houqe and Monem (2016) found that economic development is associated with less corruption. Hence, based on the literature, the next hypothesis is stated:

H₂: There is a positive association between ACD and economic development.

3.3. Stock Market Development

It refers to the progress in the volume, reliability, and productivity of the services provided by the stock market (Pradhan, Arvin, & Ghoshray, 2015) as cited in Grbić (2021). Due to its great impact on FDI, it is highly susceptible to the effects of corruption. Corruption acts as a catalyst by accelerating business dealings and assisting private firms to get over unproductive systems (Aidt, 2009; Cuervo-Cazurra, 2008). According to political theory, the enormous accounting scandals that took place in the year 2001 had a huge impact on the capital market, creating widespread

investor mistrust. Accordingly, firms were required to prioritize investor relations issues and to make big reforms in their financial reporting and corporate governance structures as a way of rebuilding investors' confidence which is considered the cornerstone of capital markets, for that reason, firms became required to report more timely, transparent, and understandable financial information (Allen, 2002). Alsherfawi Aljazaerli, Sirop, and Mouselli (2016), who performed their study in Gulf Cooperation Council (GCC) countries to study the relation between corruption and stock market development, found that they are positively associated. Krishnamurti et al. (2018), who studied the effect of CSR on corruption risk by conducting a cross-country study, identified a positive relation between stock market development and CSR engagement. Zulvina and Adhariani (2020), who examined ACD's influence on firm value and highlighted board gender diversity, found a negative relation between firm value and ACD. Hence, based on the literature, the next hypothesis is stated:

H_3: *There is a positive association between ACD and stock market development.*

On the other hand, the political system variables investigated in this research are voice and accountability, government effectiveness, the rule of law, and press freedom. These variables have been selected due to their extensive use in literature (Aldaz Odriozola & Álvarez Etxeberria, 2021; Blanc, Branco, & Patten, 2018; De Villiers & Marques, 2016; Houqe & Monem, 2016; Krishnamurti et al., 2018; Lanier & Kirchner, 2018).

3.4. Voice and Accountability

It reflects a nation's ability to contribute to government elections and express their opinions (Houqe & Monem, 2016). Both Coluccia, Fontana, and Solimene (2018), who studied the association between CSR disclosure and institutional variables in European listed companies and De Villiers and Marques (2016), who examined the association between CSR disclosure and country-level factors in European companies, found a positive association between voice and accountability and CSR disclosure. Krishnamurti et al. (2018) found that voice and accountability a key determinants of the anti-corruption score. Houqe and Monem (2016) found a significant relationship between voice and accountability and ACD level. Hence, based on the reviewed literature, the next hypothesis is proposed.

H_4: *There is a positive association between ACD and voice and accountability.*

3.5. Government Effectiveness

It pertains to public and civil service efficiency and independence from political pressure, the quality of policy formation and application, and the government's reliability and consistency in enforcing these policies (Kaufmann, Kraay, & Mastruzzi, 2010; Magalhães, 2014). Political or governmental corruption is considered the key reason for prevalent corruption in the entire society (Ionescu, 2010). Corruption consequences affect governmental solidity, the strength of government spending (Ionescu, 2017), government performance, and quality of life (Ionescu, 2010). Montes and Paschoal (2016), who studied the influence of corruption on government effectiveness, found that government effectiveness is stronger in developing countries with democratic systems and that government effectiveness is affected more by corruption in developed countries. Besides, they found that nations with reduced corruption levels have enhanced quality of public service, effective policy formation and implementation of policies, and greater trust and compliance with these policies. De Villiers and Marques (2016) found that CSR disclosure and government effectiveness are positively associated. Krishnamurti et al. (2018) found that government effectiveness is a key determinant of the ACD score. In contrast, an insignificant relation was found by Coluccia et al. (2018) between CSR disclosure and government effectiveness. Hence, based on the literature, the next hypothesis is stated.

H_5: *There is a positive association between ACD and government effectiveness.*

3.6. Rule of Law

It pertains to the citizen's scope of having confidence in and adhering to societal norms and regulations, particularly contract enforcement, the effectiveness of police, and courts in their ability to prevent criminality and

violence (Houqe & Monem, 2016; Kaufmann et al., 2010). It is the only way for countries to preserve law and order, punish crimes, enforce contracts, and maintain and enforce individual freedom and rights (Nwabuzor, 2005). The World Bank considers corruption and fraud as the highest barriers to economic and social progress. They undermine the rule of law and weaken the institutional infrastructure, both of which are cornerstones for economic development (Khojastehpour, 2015; Rivero, 2004). Montes and Paschoal (2016) identified that countries with high public debt and high inflation rates have inefficient and ineffective governments, and consequently, enhancing the rule of law could be a key to improving government effectiveness. Houqe and Monem (2016) and Krishnamurti et al. (2018) identified a positive relation between the rule of law and ACD level. Coluccia et al. (2018) identified that a positive association exists between CSR disclosure and the rule of law. Hence, based on the literature, the next hypothesis is stated:

H_6: There is a positive association between ACD and the rule of law.

3.7. Press Freedom

It refers to the right to free speech, particularly in the ability to report on, comment on, and criticize the government without fear of retaliation or threats from authorities (Hachten, 2005). Western countries possess this freedom due to laws defending civil liberties and property, high GDP per capita, an educated population, the presence of opposing political parties, financial backing for the media, and respected, independent journalism (Ejigu & Gebru, 2020; Hachten, 2005). Blanc, Azizul Islam, Patten, and Branco (2017) claimed that in countries where media freedom is limited and corruption is more widespread, social and political burdens regarding corporate corruption matters are lower. Consequently, firms operating in these countries are less motivated to engage in ACD. De Villiers and Marques (2016) identified a positive correlation between CSR disclosure and press freedom. Krishnamurti et al. (2018) and Blanc et al. (2017), who studied the association between ACD and media exposure in issues related to corruption, and Blanc et al. (2018), who explored the relation between cultural variables and ACD, found a positive association between ACD and press freedom, where they found more disclosures in less restricted home country press freedom. Hence, based on the literature, the next hypothesis is stated.

H_7: There is a positive association between ACD and press freedom.

4. RESEARCH METHODOLOGY

4.1. Data Selection

This research aims to study the economic and political determinants of ACD in the MENA region banking sector. Twenty Lebanese banks, eleven Egyptian banks, fourteen Jordanian banks, and ten Saudi banks are studied from 2013 to 2019. This period was chosen to exclude the impact of both the Arab Spring, which occurred from 2010 to 2012, and the pandemic and economic crisis that began at the end of 2019. The final sample contains 354 observations of the local banks. Unavailable data were excluded. This research is considered explanatory, as it aims to explain and justify the associations among independent and dependent variables. A deductive approach is adopted, where a group of theories concerned with ACD is narrowed down to a group of testable hypotheses, which requires the use of related data that may or may not support the main point of view in the theories. We performed a content analysis since it is the dominant method used to examine ACD (Azizul Islam, Dissanayake, Dellaportas, & Haque, 2018; Blanc et al., 2017; Ghazwani et al., 2024). We downloaded the annual reports of the banks for the seven years and collected the needed data.

4.2. Dependent Variable

The dependent variable, Anti-Corruption Disclosure (ACD), is measured using two approaches: the narrative disclosure method by Azizul Islam, Haque, and Gilchrist (2017) and the Transparency International (2012) ACD Index scores. The first measure studies the extent of disclosure using 13 words, while the second one is used to measure disclosure quality using 13 questions. These two measures were chosen due to their wide-ranging use in

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ACD literature (Blanc et al., 2017; Blanc et al., 2018; Blanc & de Melo, 2015; Branco, Ribeiro, & Eugénio, 2008; Branco & Rodrigues, 2008; Krishnamurti et al., 2018; Lopatta, Jaeschke, Tchikov, & Lodhia, 2017; Muttakin, Mihret, & Khan, 2018). The 13 words include terms related to corruption, such as accountability, bribery, corruption, and ethics. The 13 questions focus on issues concerning transparency and ACD. The weighted index is used for the questions, with each question having a maximum of 13 points and a minimum of zero points.

4.3. Independent Variables

The independent variables that are investigated in this paper are: quality of accounting standards, economic development, stock market development, voice and accountability, government effectiveness, rule of law, and press freedom, measured as follows.

4.3.1. Quality of Accounting Standards

Houqe and Monem (2016) used the number of years since a country mandated IFRS adoption. While Hope, Jin, and Kang (2006); Clements, Neill, and Scott Stovall (2010); Dhaliwal, Radhakrishnan, Tsang, and Yang (2012) and Healy and Serafeim (2016) measured the quality of accounting standards using a binary measure, assigning a value of 1 if a firm follows US GAAP or IFRS and 0 if it does not. In this research, the quality of accounting standards is measured by the number of years since a country mandated IFRS adoption (Houqe & Monem, 2016).

4.3.2. Economic Development

Paldam (2002) and Houqe and Monem (2016) measured economic development by GDP per Capita. While La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1999) used gross national product (GNP) per Capita. In this research, GDP per Capita is used to measure economic development (Houqe & Monem, 2016; Paldam, 2002).

4.3.3. Stock Market Development

Alsherfawi Aljazaerli et al. (2016) and Krishnamurti et al. (2018) measured it by stock market capitalization to GDP, while Ioannou and Serafeim (2012) measured it by total market capitalization. In this research, stock market capitalization to GDP is used (Alsherfawi Aljazaerli et al., 2016; Krishnamurti et al., 2018).

4.3.4. Voice and Accountability

The World Bank's indicator is used in this research to measure country-level voice and accountability (De Villiers & Marques, 2016; Houqe & Monem, 2016; Krishnamurti et al., 2018).

4.3.5. Government Effectiveness

De Villiers and Marques (2016) and Krishnamurti et al. (2018) used the World Bank's indicator to measure country-level government effectiveness. Lanier and Kirchner (2018) used an index measuring government capacity to create and execute policies with a scale ranging from −2.5 to 2.5. The World Bank's indicator is used in this research to measure country-level government effectiveness (Krishnamurti et al., 2018).

4.3.6. Rule of Law

The World Bank's indicator is used in this research to measure the country-level rule of law (Houqe & Monem, 2016; Krishnamurti et al., 2018).

4.3.7. Press Freedom

De Villiers and Marques (2016), Blanc et al. (2018), and Aldaz Odriozola and Álvarez Etxeberria (2021) used the rank of the country in the World Press Freedom Index (Reporters Without Borders) to measure country-level press

freedom. Krishnamurti et al. (2018) used the scores computed by Freedom House to measure country-level press freedom. The rank of the country in the World Press Freedom Index is used in this research to measure country-level press freedom (Aldaz Odriozola & Álvarez Etxeberria, 2021; Blanc et al., 2018; De Villiers & Marques, 2016).

4.4. Control Variables

The control variables that are studied are firm size, audit firm size, and chief executive officer (CEO) duality.

4.4.1. Firm Size

The total assets of the banks are used as the means of measuring the firm size (Aldaz Odriozola & Álvarez Etxeberria, 2021).

4.4.2. Audit Firm Size

The size of the audit firm is coded as 1 for Big 4 and 0 if it is not (Healy & Serafeim, 2016; Raffournier, 1995).

4.4.3. CEO Duality

CEO duality is coded as 1 if the CEO is chairman and 0 if not (Blanc et al., 2017).

The following regression model can be suggested (Table 1).

$$ACD_i = a_1 + \beta_1\, QAS_i + \beta_2\, ECON_i + \beta_3\, STOCK_i + \beta_4\, VACC_i + \beta_5\, GOV_i + \beta_6\, LAW_i + \beta_7\, PRESS_i$$
$$+ \beta_8\, SIZE_i + \beta_9\, AUD_i + \beta_{10}\, CEO_i + \varepsilon_i$$

Table 1. Independent variables.

Variables	Definition	Literature	Measure
QAS	Quality of accounting standards	Gallery et al. (2008); Healy and Serafeim (2016); Yurisandi and Puspitasari (2015); Houqe and Monem (2016) and Dayanandan et al. (2016)	The number of years from the time when a country has obligatory implemented IFRS (Houqe & Monem, 2016).
ECON	Economic development	Carini et al. (2017); Paldam (2002) and Houqe and Monem (2016)	GDP per Capita (Houqe & Monem, 2016; Paldam, 2002).
STOCK	Stock market development	Alsherfawi Aljazaerli et al. (2016); Krishnamurti et al. (2018) and Zulvina and Adhariani (2020)	Stock market capitalization to GDP (Alsherfawi Aljazaerli et al., 2016; Krishnamurti et al., 2018).
VACC	Voice and accountability	Coluccia et al. (2018); De Villiers and Marques (2016); Krishnamurti et al. (2018) and Houqe and Monem (2016)	The world bank's indicator (Krishnamurti et al., 2018).
GOV	Government effectiveness	Montes and Paschoal (2016); De Villiers and Marques (2016); Krishnamurti et al. (2018) and Coluccia et al. (2018)	
LAW	Rule of law	Montes and Paschoal (2016); Houqe and Monem (2016); Krishnamurti et al. (2018) and Coluccia et al. (2018)	
PRESS	Press freedom	De Villiers and Marques (2016); Blanc et al. (2017); Krishnamurti et al. (2018) and Coluccia et al. (2018)	Country's World Press Freedom Index rank (Aldaz Odriozola & Álvarez Etxeberria, 2021; Blanc et al., 2017; Blanc et al., 2018; De Villiers & Marques, 2016).
SIZE	Firm size	Blanc et al. (2018) and Masud et al. (2019)	Total assets (Aldaz Odriozola & Álvarez Etxeberria, 2021).
AUD	Audit firm size	Healy and Serafeim (2016)	Audit firm size equals 1 for big 4, 0 if not (Healy & Serafeim, 2016).
CEO	CEO duality	Blanc and de Melo (2015) and Healy and Serafeim (2016)	1 if CEO is chairman and 0 if not (Blanc et al., 2017).

5. RESULTS

5.1. Descriptive Statistics

Regarding the Economic System variables, the QAS, ECON, and STOCK have means of 18.7, 9305 USD, and 54, respectively. Concerning the political system variables, VACC, GOV, LAW, and PRESS have means of 22, 46, 44, and 45, respectively. Firm size has a mean of 18,281,264,123 USD. Concerning AUD, the results are as follows: 341 banks are audited by Big 4 audit firms, representing 96.3% of all of the observations. For the CEO, the results are as follows: in 166 observations (46.9%), the CEO is the chairman (Table 2).

Table 2. Descriptive statistics of the independent variables.

Item	Minimum	Maximum	Mean	Std. deviation
QAS	4.00	25.00	18.728	8.357
ECON	2,537.13	24,934.39	9,305.072	7,068.699
STOCK	10.01	346.96	53.890	64.617
VACC	2.82	35.21	21.827	11.185
GOV	11.54	65.38	45.912	14.971
LAW	19.23	68.75	43.896	18.534
PRESS	30.15	66.02	44.624	11.425
SIZE	423,833,423.60	333,307,000,000.00	18,281,264,122.900	26,701,036,138.870
Item	Option	Frequency	Percentage	
AUD	0	13	3.7%	
	1	341	96.3%	
CEO	0	188	53.1%	
	1	166	46.9%	

With respect to the narrative disclosure, the words "audit" and "policy" have the highest mean, while the words "bribe" and "bribery" have the lowest mean (Table 3). In general, we recognize modest numbers in the means, which reflect a low level of word count disclosure. Therefore, we can conclude that the extensiveness of ACD is relatively low.

Table 3. Descriptive analysis of the 13 words of ACD.

Item	Mean	Standard deviation	Range
Accountability	2.36	3.32	0-26
Assurance	4.31	4.48	0-43
Audit	55.43	47.17	0-342
Bribe	0.03	0.19	0-2
Bribery	0.64	1.51	0- 12
Corruption	1.77	3.98	0-31
Ethics	3.04	3.98	0-24
External auditor	5.21	7.57	0-71
Fraud	6.02	6.96	0-70
Internal control	12.16	10.41	0-71
Policy	57.94	42.01	0-332
Training	19.54	18.96	0-100
Values	9.40	12.53	0-100

On the other hand, if we refer to the 13-question descriptive statistics to measure the quality of ACD, we find a very humble level of ACD. Most of the questions received very low scores (questions 1, 5, 6, 8, 9, 10, 11, 12, and 13). The remaining four questions showed the following: Questions 2 and 3 have high percentages of 88% and 78%, respectively, while questions 4 and 7 have percentages of 40% and 45%, respectively. Therefore, we conclude that the quality of ACD in the MENA region is relatively poor. This may be explained by the voluntary nature of ACD (Table 4).

Table 4. Descriptive analysis of the 13 questions of ACD.

Questions	Option	Frequency	Percentage
1	0	37	10.45%
	0.5	215	60.73%
	1	102	28.81%
2	0	44	12.43%
	1	310	87.57%
3	0	78	22.03%
	1	276	77.97%
4	0	212	58.89%
	1	142	40.11%
5	0	326	92.09%
	0.5	2	0.56%
	1	26	7.34%
6	0	312	88.14%
	0.5	7	1.98%
	1	35	9.89%
7	0	195	55.08%
	0.5	1	0.28%
	1	158	44.63%
8	0	319	90.11%
	0.5	11	3.11%
	1	24	6.78%
9	0	348	98.31%
	0.5	3	0.85%
	1	3	0.85%
10	0	252	71.19%
	0.5	5	1.41%
	1	97	27.40%
11	0	280	79.10%
	0.5	4	1.13%
	1	70	19.77%
12	0	332	93.79%
	0.5	9	2.54%
	1	13	3.67%
13	0	351	99.15%
	1	3	0.85%

5.2. Linear Regression

The linear regression results of ACD questions revealed the following: GOV (P=0.011) and SIZE (P=0.001) have a notable positive association with ACD. The results also showed that LAW (P=0.045) and AUDIT (P=0.009) have a significant negative association with ACD (Table 5). The positive relationship between GOV and ACD supports De Villiers and Marques (2016), who identified a positive correlation between CSR disclosure and government effectiveness. It also supports Krishnamurti et al. (2018), who found that government effectiveness is a key determinant of the ACD score. In contrast, it contradicts Coluccia et al. (2018), who identified an insignificant relation between government effectiveness and CSR reporting. The positive association between ACD and government effectiveness explains the effect of having an effective government on combating corruption, enhancing sustainable development, and promoting transparency and disclosure. An effective government plays a vital role in enhancing its citizens' well-being by promoting economic growth, social security, and political stability through providing social equity, maintaining public trust, reinforcing accountability, setting effective policies, and establishing institutional reforms. Government effectiveness is reflected in the solidarity and competence of governmental institutions and in providing proper public services for all its citizens, like health care and education. Besides, these results support the legitimacy theory.

The negative association with LAW contradicts Houqe and Monem (2016) and Krishnamurti et al. (2018), who identified a significant connection between the rule of law and ACD. It also contradicts Coluccia et al. (2018), who identified a significant positive influence of the rule of law on CSR disclosure. The reason for the negative association with LAW in the MENA region banking sector can be related to several factors. In some MENA region countries,

there is defective and poor enforcement of the law. Corruption is expected to prevail in countries with weak law enforcement, and anticorruption initiatives tend to be ineffective. Besides, political instability and the absence of democratic practices lead to a deficiency of accountability. Consequently, this leads to manipulating ACD for political purposes, which can justify the negative association with the law.

Table 5. Linear regression of the ACD questions with the independent variables.

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std0. error	Beta		
1	(Constant)	8.214	3.054		2.690	0.007
	QAS	-0.091	0.063	-0.346	-1.447	0.149
	STOCK	0.002	0.002	0.063	0.934	0.351
	VACC	0.243	0.166	0.221	10.462	0.145
	GOV	0.643	0.250	0.398	20.571	0.011
	LAW	-0.477	0.237	-0.447	-20.012	0.045
	PRESS	-0.095	0.050	-0.493	-10.909	0.057
	SIZE	1.676E-011	0.000	0.204	3.465	0.001
	AUD	-1.800	0.684	-0.155	-2.631	0.009
	CEO	-0.025	0.322	-0.006	-0.077	0.939

The linear regression of ACD word count with independent variables showed that QAS (P=0.007) and SIZE (P=0.014) have a significant positive association with ACD and LAW (P=0.029) and CEO (P=0.000) have a significant negative association with ACD (Table 6). The significant positive association between QAS and ACD supports Healy and Serafeim (2016), who identified a significant positive association between accounting standards quality and ACD. It also supports Yurisandi and Puspitasari (2015) and Dayanandan et al. (2016), who found a positive association between IFRS adoption and the quality of financial reporting. Having a strong and effective government that enforces the adoption of IFRS has a big implication on the disclosure behavior in a country. IFRS adoption reflects the government's interest in better accountability, transparency, and disclosure (Houqe & Monem, 2016). IFRS adoption reflects the country's compliance with corporate governance practices like having independent audit committees, which contribute to reducing corruption and promoting disclosure and transparency.

Table 6. Linear regression of ACD word count with the independent variables.

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	89.847	156.863		0.573	0.567
	QAS	8.781	3.224	0.627	2.724	0.007
	STOCK	0.052	0.118	0.029	0.439	0.661
	VACC	15.647	8.531	0.266	1.834	0.067
	GOV	-6.673	12.856	-0.077	-0.519	0.604
	LAW	-26.716	12.190	-0.469	-2.192	0.029
	PRESS	3.556	2.546	0.347	1.396	0.164
	SIZE	6.120E-010	.000	0.140	2.463	0.014
	AUD	-13.605	35.153	-0.022	-0.387	0.699
	CEO	-62.425	16.534	-0.266	-3.775	0.000

5.3. Pearson Correlation

The Pearson correlation between the word counts of ACD showed that STOCK, GOV, LAW, SIZE, AUD, and CEO are positively associated with the outcome, with weak associations of 16%, 15%, 19%, 13%, 12%, and 27%, respectively. Additionally, VACC is negatively associated with the outcome, with a weak association of 17%. The Pearson correlation between the total answers to the 13 questions revealed that SIZE and AUD are positively correlated, with weak associations of 17% and 16%, respectively (Table 7).

Table 7. Pearson correlation of the variables.

Item		ACD WORDS	ACD questions	QAS	STOCK	VACC	GOV	LAW	PRESS	SIZE	AUD	CEO
ACD WORDS	Pearson correlation	1	0.342**	-0.022	0.162**	-0.173**	-0.154**	-0.190**	0.066	0.134*	0.116*	-0.272**
	Sig. (2-tailed)		0.000	0.681	0.002	0.001	0.004	0.000	0.216	0.011	0.029	0.000
ACD Questions	Pearson correlation	0.342**	1	-0.023	-0.018	0.051	0.067	0.031	0.000	0.171**	-0.158**	0.093
	Sig. (2-tailed)	0.000		0.669	0.729	0.337	0.211	0.563	0.996	0.001	0.003	0.082
QAS	Pearson correlation	-0.022	-0.023	1	-0.475**	0.398**	0.373**	0.520**	-0.920**	-0.434**	0.087	0.326**
	Sig. (2-tailed)	0.681	0.669		0.000	0.000	0.000	0.000	0.000	0.000	0.101	0.000
STOCK	Pearson correlation	0.162**	-0.018	-0.475**	1	-0.397**	-0.404**	-0.436**	0.481**	0.293**	0.112*	-0.357**
	Sig. (2-tailed)	0.002	0.729	0.000		0.000	0.000	0.000	0.000	0.000	0.035	0.000
VACC	Pearson correlation	-0.173**	0.051	0.398**	-0.397**	1	0.638**	0.906**	-0.355**	-0.295**	-0.197**	0.161**
	Sig. (2-tailed)	0.001	0.337	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.002
GOV	Pearson correlation	-0.154**	0.067	0.373**	-0.404**	0.638**	1	0.830**	-0.121*	-0.297**	-0.353**	0.013
	Sig. (2-tailed)	0.004	0.211	0.000	0.000	0.000		0.000	0.023	0.000	0.000	0.814
LAW	Pearson correlation	-0.190**	0.031	0.520**	-0.436**	0.906**	0.830**	1	-0.386**	-0.363**	-0.255**	0.121*
	Sig. (2-tailed)	0.000	0.563	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.023
PRESS	Pearson correlation	0.066	0.000	-0.920**	0.481**	-0.355**	-0.121*	-0.386**	1	0.349**	-0.155**	-0.502**
	Sig. (2-tailed)	0.216	0.996	0.000	0.000	0.000	0.023	0.000		0.000	0.003	0.000
SIZE	Pearson correlation	0.134*	0.171**	-0.434**	0.293**	-0.295**	-0.297**	-0.363**	0.349**	1	0.061	-0.091
	Sig. (2-tailed)	0.011	0.001	0.000	0.000	0.000	0.000	0.000	0.000		0.250	0.088
AUD	Pearson correlation	0.116*	-0.158**	0.087	0.112*	-0.197**	-0.353**	-0.255**	-0.155**	0.061	1	-0.117*
	Sig. (2-tailed)	0.029	0.003	0.101	0.035	0.000	0.000	0.000	0.003	0.250		0.027
CEO	Pearson correlation	-0.272**	0.093	0.326**	-0.357**	0.161**	0.013	0.121*	-0.502**	-0.091	-0.117*	1
	Sig. (2-tailed)	0.000	0.082	0.000	0.000	0.002	0.814	0.023	0.000	0.088	0.027	

Note: **. Significant at the 0.01 level.
*Significant at the 0.05 level.

5.4. F Statistics Test

Tables 8 and 9 show a significant F result of 0.000 for both words and questions. A result lower than 0.05 indicates that ACD is affected by all the independent variables simultaneously. Therefore, the model is suitable for future research.

Table 8. F-statistic test results for words.

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	759918.844	9	84435.427	7.117	0.000
	Residual	4081353.916	344	11864.401		
	Total	4841272.760	353			

Table 9. F-statistic test results for questions.

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	152.195	9	16.911	3.761	0.000
	Residual	1546.760	344	4.496		
	Total	1698.956	353			

5.5. Data Quality Tests

ACD index reliability and validity were comprehensively assessed. Cronbach's alpha test was applied to test reliability and Pearson's Product-Moment Correlation was applied to test validity. A Cronbach's coefficient D value of 74% for the whole ACD index was found. Thus, we can conclude that the index questions are reliable as the coefficient exceeds 0.7 (Hair & Page, 2015) (Table 10). Table 11 indicates that the ACD index is valid given that all the values are positive and are higher than the Critical Values for Pearson's r which is 0.098.

Table 10. Reliability test.

Cronbach's Alpha	N of items
0.740	13

Table 11. Validity test results.

Questions	1	2	3	4	5	6	7	8	9	10	11	12	13
R table	0.570	0.498	0.512	0.660	0.526	0.571	0.504	0.300	0.317	0.707	0.607	0.195	0.214

6. DISCUSSION AND CONCLUSIONS

The research examines the economic and political variables of ACD in the MENA region's banking sector. The extent of ACD serves as a powerful tool to fight against corruption, enhance transparency and corporate governance, and promote sustainable development. The research studied 20 Lebanese banks, 11 Egyptian banks, 14 Jordanian banks, and 10 Saudi banks from the period 2013 to 2019. A content analysis is conducted for the banks' websites along with an explanatory study. In the regression model, the dependent variable is ACD, and the independent variables are the economic and political variables. Besides, firm size, audit firm size, and CEO duality are the control variables. Theoretically, country-level determinants are understudied in previous research. We aim to enrich this research gap and highlight the importance of external factors on the firm disclosure level. Our hypotheses investigate the impact of the economic and political determinants of ACD. The quality of accounting standards, economic development, stock market development, voice and accountability, government effectiveness, rule of law, and press freedom factors are investigated. This paper contributes to the literature by highlighting the role that political leaders, government structure, and economic conditions play in encouraging or combating ACD. It assists in setting appropriate and effective policies, forming institutional reforms that encourage ACD and enhance transparency. It also helps in designing strategies that aim to reduce corruption.

The paper provides several important findings. First, the descriptive statistics reveal that the extent of ACD, which is represented by Azizul Islam et al. (2017) narrative disclosure, is very modest. Besides, the disclosure quality, measured by Transparency International's (2012) score of the ACD index, shows that the disclosure level is very humble. We can relate these findings to the voluntary nature of ACD. Second, the linear regression results show that government effectiveness and the quality of accounting standards are positively associated with ACD. Conversely, the results indicate a negative association between ACD and the rule of law. Considering the control variables, it was identified that firm size is positively related to ACD, while audit firm size and CEO duality are negatively associated with ACD.

This research has several limitations. Firstly, its findings cannot be generalized to other countries or industries due to the voluntary nature of ACD. Additionally, it relies on the Transparency International 2012 index, and using another index may provide different results. In further research, the study could be applied to different industries, where a comparative analysis would be beneficial to determine which sector has the highest quality of ACD.

In the same manner, this research was only based on content analysis; thus, in further research, interviews could be conducted as well to study other factors such as organizational change, demographic specifications, and others that could have an impact on the quality of ACD. Applying a qualitative approach, such as interviews, could also help in identifying underlying reasons for variables that show negative or no associations with ACD, thereby offering a more comprehensive understanding of the subject.

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