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Vincenzo Farina

University of Rome "Tor Vergata"

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# **Corporate disclosure determinants:** *a cross-country investigation*

**Vincenzo Farina**

*Ph.D. Candidate in Banking and Finance*

University of Rome "Tor Vergata"

Via Columbia, 2. 00133 – Roma (Italy)

Tel: +39.06.7259.5911

Fax: +39.06.2040.219

e.mail: [vincenzo.farina@uniroma2.it](mailto:vincenzo.farina@uniroma2.it)

# Corporate disclosure determinants: *a cross-country investigation*

## *Abstract*

The wave of bankruptcies that have followed one upon the other in recent years as the consequence of financial scandals and the integration among the financial systems of various countries have given rise to a search for mechanisms suitable for protecting investors and regulating growing capital flows. More and more frequently, scholars are looking upon the disclosure as a very important tool within the context of the said mechanisms.

The factors affecting the actual disclosure levels are analyzed through an empirical verification based on data relative to a sample of 45 countries.

The initial evidence suggests that disclosure is affected both by the efficiency in the application of the judicial procedures and by factors directly connected with the national culture.

**Keywords:** Corporate Disclosure; Judicial Enforcement; National Culture

# 1. Introduction

The wave of bankruptcies that have followed one upon the other in recent years as the consequence of financial scandals (i.e., Enron, Worldcom and Parmalat) and the integration among the financial systems of various countries have given rise to a search for mechanisms suitable for protecting investors and regulating growing capital flows.

More and more frequently, scholars are looking upon the disclosure as a very important tool within the context of the said mechanisms.

In fact, a high level of disclosure may succeed in increasing both the investors' confidence and the capital markets' efficiency (Caruana, 2003).

Based on this assumption, one needs to consider that the investors' protection against the opportunistic behavior of corporate managements is the major determinant of financing decisions, financing costs, and the concentration of corporate ownership (La Porta, Lopez de Silanes, Shleifer and Vishny, 1998).

In particular, with reference to the latter factor, a negative relation is detected between the level of disclosure and the protection that the regulations afford shareholders rather than creditors.

When the market disclosure is low, the high financing costs translate into a concentration of the corporate control in the hands of few persons, giving rise to a greater probability of opportunistic behaviors with respect to other financial backers.

After all, in contexts characterized by low disclosure, the reputation mechanisms are of great importance for raising financial resources through both the capital market and the financial intermediaries.

From a general viewpoint, the significance attributed in individual countries to disclosure for the development of capital markets (which is based on the operators' confidence) and credit

relations between banks and enterprises is conducive to a more thorough analysis of the actual factors that may affect it.

This analysis starts from the assumption that, at the level of each country, the efforts to get to an international harmonization of the accounting standards - a direct consequence of the introduction of the IAS<sup>1</sup> (*International Accounting Standards*) - still come against considerable differences in the disclosure levels.

Adhikari and Tondkar (1992) affirm that the accounting standards and the disclosure level of enterprises in any given country reflect the characteristics of the special environment where they develop.

The differences present in such environments determine a variety of ways to conceive and bid compliance with disclosure-related standards.

From a practical viewpoint, it may be interesting to consider disclosure as an intermediate variable that, being directly connected with the efficiency of the judicial procedures and the national culture, is capable of affecting the operation of both the capital markets and the financial intermediaries within the various countries.

A few studies have endeavored to explain these differences on a national base by referring to factors linked to the efficiency of the judicial procedures (La Porta, Lopez de Silanes, Shleifer and Vishny, 1998; Levine, 1998; Kothari, 2000).

The basic assumption of these studies is that the greater protection of the actors who operate in the financial system afforded by the greater efficiency of the judicial procedures may bring greater pressure to bear on the corporate disclosure.

On the other hand, different studies take cultural-type variables into consideration (Gray,

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<sup>1</sup> The IAS are the accounting standards laid down by the IASC (International Accounting Standards Committee), a private and independent organization set up in 1973 with a view to harmonizing the accounting principles used in their financial statements by enterprises and other organizations throughout the world ([www.iasc.org.uk](http://www.iasc.org.uk)).

1988; Gray and Vint, 1995; MacArthur, 1996; Zarzeski, 1996, Jaggi and Low, 2000).

Even the latter move from the assumption that the culture that characterizes a given nation may affect certain behaviors of the persons working in the financial system and result in differences both in the application of and in the compliance with the accounting standards requirements.

After a more thorough analysis of the determinants of the different levels of disclosure and the mode through which such differences may affect the *bank-firm* relationship insofar as it concerns the credit policies, the subsequent chapters will present an empirical verification based on data resulting from a sample of 45 countries. This verification strives to show how the efficiency of the judicial procedures and the national culture affect the levels of corporate disclosure.

Hence, the model being introduced is based on a synthesis of the outcome of various studies concerning the determinants of the disclosure and the corporate compliance with the accounting standards.

The conclusions will highlight the major results of this verification, debating the practical implications of the application of the model of analysis and pointing to its major limits.

## **2. Determinants of corporate disclosure**

### ***2.1 Definitions***

Corporate disclosure is a precondition for the proper working of the capital markets. It may be viewed as a special protection instrument that investors and creditors (banks in particular) have at their disposal to protect their interest.

For instance, the access to correct information about the issue of securities or the economic and financial situation shown in the financial statements of enterprises is a precondition for a proper evaluation of the risks inherent in the decisions of the individual market operators.

Therefore, corporate disclosure is an extremely critical aspect for ensuring the stability and development of the capital markets and, besides, is a priority object of supervisory authorities.

The search for the disclosure determinants is quite a complex task as there are many variables that are likely to exert a direct or an indirect influence.

In view of the above, one needs to narrow down the field of analysis and research, and investigate only those variables that are likely to affect the disclosure to a considerable extent.

### ***2.2 The relations between disclosure and efficiency of the judicial procedures***

A factor that may explain the level of corporate disclosure within a country is the efficiency in the enforcement of judicial procedures.

In fact, the first hypothesis to be tested in this study is:

*Hypothesis 1: the quality of both disclosures and accounting standards gets higher as the efficiency in the enforcement of legal regulations increases.*

The mere existence of adequate regulations is not enough to ensure the protection of shareholders or creditors in general, if these regulations are not complied with (Kothari, 2000).

If the compliance with a few accounting standards by an enterprise is understood to mean the compliance with a legal regulation, it is hard to imagine a situation where the scarce efficiency of the judicial procedures is matched by a considerable compliance with the provisions of the law. However, in a fully mirror-like manner, it should not be taken for granted that in an extremely efficient judicial system there is a considerable compliance with the provisions of the law (La Porta, Lopez de Silanes, Shleifer and Vishny, 1998).

La Porta, Lopez de Silanes, Shleifer and Vishny (1998) single out four major families of legal systems that have taken shape with the political history of the last few centuries:

- o The *common law* system, adopted in the United States, Canada, Australia, and New Zealand, as well as in many countries in Africa and in Eastern Asia that are members of the Commonwealth;
- o The tradition of the Napoleonic civil code, adopted in France and Spain, in many of their former colonies, including Latin America as a whole, as well as in a number of countries, including Italy, which have been affected by the Napoleonic conquests;
- o The tradition of the German civil code, adopted in the German-speaking European countries as well as in Japan, South Korea and Taiwan;
- o The tradition of the Scandinavian civil code, adopted in the Scandinavian countries.

The fundamental argument of their empirical analysis is that an efficient judicial system may make up for the want of regulations on the disclosure of businesses and, therefore, may make it easier for investors to assert their rights.



In fact, through the classification of the 49 countries by the various legal families, the analysis of the level of protection of the investors (both shareholders and creditors) and of the level of enforcement of the rules shows significant variations depending on the relationship of a country to a given legal family.

In short, the countries characterized by a *common law* tradition, together with those whose legal systems are based on the German and Scandinavian tradition, implement the greatest protections for investors, while the countries whose legal systems are based on the French tradition move to the other extreme, with a level of protection that is on the average lower (with the exception of France). Even with respect to the efficiency of the judicial procedures, the authors place the countries with a Scandinavian-type legal system at the highest levels, followed immediately after by those with *common law* and German-type systems. On the other hand, the French-type systems are always placed at the lowest levels.

Levine (1998) lays emphasis on the fact that greater levels of efficiency of the judicial procedures determine the presence of more progressive capital markets, entailing also an increase in the opportunities for businesses to have access to bank credits.

With specific reference to bank loans, Bianco, Jappelli and Pagano (2001) point out that a one-month increase in trial duration, *ceteris paribus*, reduces the availability of credit by half a percentage point. Furthermore, studying the effects of the efficiency of the judicial procedures on the credit market in Brazil, Pinheiro and Cabral (1999) suggest that loans could be increased up to 8.5% of the GDP should there be a 17.5% improvement in efficiency.

However, one needs to consider that the risk associated with the mere improvement of the judicial efficiency corresponds to a reduction of the incentive for banks to make a careful screening of borrowers and this would make the allocation of credit worse (Zazzaro, 2003).

In fact, in contexts where a high efficiency of the judicial procedures makes it easier to collect financial collaterals and there are high screening costs, the banks are stimulated to offer loans

reducing the screening and requesting higher collaterals (Manove, Padilla and Pagano, 2001).

### ***2.3 The relations between corporate disclosure and national culture***

Another factor that may explain the level of corporate disclosure within a country is its culture.

Hofstede (1983) defines culture as the “collective programming of the mind” that individuals share with the other members of their country, region or group, but not with other members of different countries, regions or groups, and that, therefore, distinguishes the members of one human group from another.

It is extremely hard to modify the resulting conditioning since “within a country or part of a country culture changes only so slowly, as what is in the mind of the individuals crystallizes in the institutions”.

The various empirical studies based on the differences among national cultures have to cope with the difficulties inherent in the quantitative measurement of a variable that, actually, may only be expressed at a qualitative level. The first attempt to define scales that were likely to measure the various dimensions at the base of the culture of a country was made by Hofstede (1980) who, through a survey of a sample of employees of IBM, scattered in a number of countries, succeeded in attributing a score to each one of the dimensions he had identified:

- o *Individualism vs. Collectivism*: it corresponds to the degree to which the people of a country prefer to act as individuals rather than as members of a group (Hofstede, 1994). In case of an individualist culture, individuals act exclusively based on their immediate personal interest or that of their household. Instead, in case of a collectivist culture, what counts is the principle whereby an individual’s interest comes after the interest of the group to which the individual belongs.
- o *Large vs. Small Power Distance*: it corresponds to the degree of inequality considered

“normal” or “acceptable” in a culture (Hofstede, 1994). It relates to the question of the relation between subordinate positions and dominant positions within society and in the organizations and translates, for instance, in different management styles and in the definition of the degree of centralization of authority and of “autocracy” of the leadership.

- o *Strong vs. Weak Uncertainty Avoidance*: it corresponds to the degree to which a culture prefers “structured” situations, where the rules of behavior are clear, with respect to those that are not (Hofstede, 1994). It depends on how the persons in the various countries cope with the circumstance whereby future is unknown and, as such, represents a source of risk.
- o *Masculinity vs. Femininity*: it corresponds to the degree to which “masculine” values prevail over values associated with the “feminine” role (Hofstede, 1994). Cultures may be classified based on whether they give greater or lower emphasis on the role division among the sexes. As a rule, such a division results from the fact that different values prevail.

Nonetheless, it should be specified that even though such variables have been extensively used in cross-country studies, there is a date-related problem (prior to the 1970’s) with respect to the data on which scores were calculated.

Adopting Hofstede’s conclusions in the study of the differences among various accounting environments, Gray (1988) identified the following dimensions:

- o *Professionalism*: it reflects a preference for greater autonomy of judgment by those who carry out the control as opposed to prescriptive legal requirements.
- o *Uniformity*: it reflects a preference for the enforcement of a standardized approach to the control of financial statements – that, therefore, does not take into account

differences among companies – as opposed to an approach based on a greater flexibility.

- o *Conservatism*: it reflects a preference for a cautious approach to the draft of financial statements to cope with the uncertainty of future events, in contrast with a more *laissez faire* approach.
- o *Secrecy*: it reflects a preference for the confidentiality of the accounting information, in contrast to a more transparent approach.

The links with Hofstede’s dimensions (1980) may be summarized as follows (Table 1):

*Table 1: Relation among variables as identified by Gray and Hofstede*

	<i>Professionalism</i>	<i>Uniformity</i>	<i>Conservatism</i>	<i>Secrecy</i>
<i>Individualism</i>	HIGH	LOW	LOW	LOW
<i>Power Distance</i>	LOW	HIGH	-	HIGH
<i>Uncertainty Avoidance</i>	LOW	HIGH	HIGH	HIGH
<i>Masculinity</i>	HIGH	-	HIGH	LOW

Source: Adjustment from Gray (1988).

The aspect that results from the above table and that interests us the most when dealing with the relations between national culture and disclosure is the considerable link that is assumed to exist between the secrecy dimension and the power distance and uncertainty avoidance dimensions. In fact, in greater detail, Gray (1988) upholds that:

- o The countries with the highest scores for individualism but with lower scores for uncertainty avoidance and power distance are more oriented towards the dimension of professionalism.
- o The countries with the highest scores for uncertainty avoidance and power distance but with lower scores for individualism are more oriented towards the dimension of

uniformity.

- o The countries with the highest scores for uncertainty avoidance but lower scores for individualism and masculinity are more oriented towards the dimension of conservatism.
- o The countries with the highest scores for uncertainty avoidance and power distance but with lower scores for individualism and masculinity are more oriented towards the dimension of secrecy.

A number of studies have followed one upon the other to get to an empirical validation of Gray's assumptions (1988) with respect to the link with Hofstede's dimensions (1980).

In a survey based on a sample of 27 countries, Gray and Vint (1995) reported significant relations between the dimension of secrecy and the dimensions of uncertainty avoidance and individualism, while the link to the degree of masculinity and of power distance did not prove significant.

In a study of 47 companies in 9 countries, MacArthur (1996) found important links to the dimensions of individualism and power distance, while he pointed to merely partial relations with uncertainty avoidance and masculinity.

Zarzeski (1996) highlighted that a large power distance may be related to the near want of activities promoting the circulation of information and, therefore, is negatively correlated with the degree of disclosure.

Finally, Jaggi and Low (2000) reported a positive relation between disclosure level and individualism and, unlike Gray's proposition (1988), a negative relation with the degree of masculinity.

The links identified as a whole within the context of the various studies (Table 2) point to significant relations between Hofstede's national cultural dimensions (1980) and Gray's

(1988) secrecy-oriented variable.

Table 2: Relations identified by the various studies

	<i>Individualism</i>	<i>Power Distance</i>	<i>Uncertainty Avoidance</i>	<i>Masculinity</i>
<i>Gray and Vint (1995)</i>	▲		▲	
<i>MacArthur (1996)</i>	▲	▲		
<i>Zarzeski (1996)</i>		▲		
<i>Jaggi and Low (2000)</i>	▲			▲

With special reference to the cultural variable of individualism, the latter emphasizes the role of individual rights and warrants the adoption of appropriate measures to enhance the protection of those rights.

Besides, with reference to collectivistic cultures, Greif (1993) upheld that they are more efficient than individualist cultures insofar as it concerns the regulation of phenomena through in-group arrangements. In fact, this reduces the need to have recourse to the mechanisms of justice that, instead, come from the outside.

Moreover, the cultural differences in the attainment of a certain interest or right (in favour of the individual or of the group) legitimate different levels in the orientation towards the dimension of disclosure (Etzioni, 1996).

In this sense, it is possible to find higher levels of disclosure in individualistic countries, in which personal interests and rights are more protected than in collectivistic ones.

According to this analytical perspective, the further hypothesis to be tested in this study is:

*Hypothesis 2: the countries where “individualism” scores highest will bring greater pressure to bear on disclosure.*

### 3. Empirical Verification

#### 3.1 Methodology

This verification is based on a cross-section type analysis, meaning that it entails the observation of data in a given time, and reviews a sample of 45 countries belonging without distinction to economically developed or economically developing areas.

Taking into consideration the evidence of the various studies referred to above, this empirical verification assumes the feasibility of explaining the level of disclosure in force in a given country based on the efficiency of the bankruptcy and debt collection procedures and on the individualist cultural variable.

A further variable being used in the model is the quality of the information provided by the (public and private) Credit Registers. In fact, with reference to the function carried on by the financial intermediaries within credit processes, they contribute to an increase in the disclosure level existing in a given country insofar as it concerns the relation linking creditors and debtors. Therefore, it may be assumed that the higher quality of credit information they are able to disseminate, the estimate of which is based on a few typical characteristics (analyzed in the paragraph below), may contribute to an increase in the corporate disclosure level.

In detail, it may be inferred that the linear regression analysis is based on the following relation:

$$Disclosure = \alpha Enforcement\_1 + \beta Enforcement\_2 + \gamma Culture + \delta Cred\_Info + \varepsilon$$

The model identifies with the *Disclosure* variable the level of public disclosure of any information concerning a company, whether on a voluntary or on a statutory basis. The *Enforcement\_1* variable identifies the cost of the procedures to be borne by the company in

case of bankruptcy; the *Enforcement\_2* variable identifies the debt recovery rate in case of insolvency; the *Culture* variable identifies the level of individualism which characterizes a country; while the *Cred\_Info* variable identifies the quality of the information given by public and private Credit Registers.

### ***3.2 Description of data***

#### *Disclosure*

Broadly speaking, the term ‘disclosure’ refers to the fact of disclosing any information concerning a company, whether on voluntary or on a statutory basis.

The measurement of the degree of disclosure for every country keeps into account the following elements (World Bank, 2004):

- o Existence of the obligation to report all the events considered relevant for investors (information on family, indirect ownership, beneficial ownership and voting agreement between shareholders);
- o Recourse to auditing companies from outside the enterprise;
- o Level of company-related information available on the market.

The disclosure index values range from 0 (showing low disclosure) to 7 (showing high disclosure)<sup>2</sup>.

#### *Cost of the bankruptcy procedures*

The cost of the procedures to be borne by the company in case of bankruptcy is an initial measure of the efficiency of the judicial procedures and is calculated based on estimates made

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<sup>2</sup> This methodology is developed in "Corporate Theft," an ongoing research project by Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Schleifer.



on the strength of questionnaires handed out to legal experts within each country (World Bank, 2004). This cost includes the bankruptcy procedure charges, the fees owing to lawyers, consultants, and any other party involved. The datum is expressed as a percentage of the value of the company at the time of its bankruptcy<sup>3</sup>.

#### *Recovery rate*

The recovery rate is considered a second measure of the efficiency of the judicial procedures that, in this specific instance, are implemented for debt recovery in case of insolvency (World Bank, 2004).

Therefore, this variable is expressed as a percentage of the debts recovered in case of insolvency<sup>4</sup>.

#### *Individualism*

This index is considered a measure of the national culture and takes on the dimension originally identified by Hofstede (1980).

The measurement is the same as that proposed by the said author based on the analysis of the answers to the questionnaires of his survey.

#### *Quality of the information disclosed by Credit Registers*

This measure evaluates the quality of the information provided by Credit Registers based on the following characteristics (World Bank, 2004):

- o Reporting of both positive and negative information about debtors' behavior;

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<sup>3</sup> This methodology was originally developed in "Courts" by Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, *Quarterly Journal of Economics*, 118, 453-517, May 2003.

<sup>4</sup> This methodology is developed in "Efficiency in Bankruptcy", a forthcoming research project by Simeon Djankov, Oliver Hart, Tatiana Nenova, and Andrei Shleifer.

- o Reporting of data relative to both companies and individuals;
- o Due consideration is given to information disclosed by suppliers and creditors of commercial and financial institutions;
- o All reported data are maintained for a period in excess of five years;
- o Reporting of data that, as a whole, relate to loans amounting to more than 1 per cent of the per capita income of the country;
- o All reported persons are entitled to access their data.

The index values range from 0 (minimum) to 6 (maximum)<sup>5</sup>.

### **3.3 Results**

The regression analysis model confirms the initial assumptions relative to the existence of a relation that links corporate disclosure to the efficiency of the judicial procedures, the culture of the country and the quality of the information disclosed by Credit Registers.

Initial evidence is provided by the classification of the 45 countries within two clusters having the following characteristics (Table 3):

*Table 3 - Results of the cluster analysis*

	<i>Cluster</i>	
	<i>1</i>	<i>2</i>
<i>Disclosure</i>	5.76	3.54
<i>Enforcement_2</i>	28.86	14.88
<i>Culture</i>	70.67	24.04
<i>Cred_Info</i>	5.05	4.08

An initial review of the two clusters shows that higher disclosure levels are matched by higher

<sup>5</sup> This methodology is developed in "Private Credit Around the World," a working paper by Simeon Djankov, Caralee McLiesh, and Andrei Shleifer, Department of Economics, Harvard University, July 2004

quality levels of the information provided by Credit Registers, higher recovery rates and a higher level of individualism.

The composition of the clusters tends to be quite balanced insofar as it concerns the number of observations (21 in cluster 1 and 24 in cluster 2). In fact, there is an ideal line that cuts across the sample of countries being surveyed and that groups them within a special category characterized by a greater corporate disclosure.

Starting from this presupposition, one may endeavor to delve into the relations among the variables taken into consideration within the linear regression model referred to above.

In short, even in this case, the results confirm the initial hypothesis, as shown in the table below (Table 4).

*Table 4 - Results of the regression analysis*

<i>Coefficients</i>	<i>Unstandardized Coefficients</i>	<i>Std. Error</i>	<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
<i>Enforcement_1</i>	6.758E-02	0.023	0.337	2.986	0.005
<i>Enforcement_2</i>	4.671E-03	0.002	0.146	2.173	0.036
<i>Culture</i>	3.280E-02	0.010	0.349	3.428	0.001
<i>Cred_Info</i>	0.230	0.131	0.220	1.750	0.088

All the identified variables show a good significance of the coefficients and signs consistent with the initial hypotheses.

Table 4 shows that the cost of the procedures to be borne by the company in case of bankruptcy and the debt recovery rate in case of insolvency are strongly positively associated with corporate disclosure levels consistent with prior literature and with hypothesis 1.

Moreover, as predicted, individualism is positively associated with corporate disclosure thus confirming that culture is another important explanatory factor for disclosure levels, consistent with hypothesis 2.

Besides, table 4 shows that higher quality levels of the information provided by Credit

Registers contribute to an increase in the disclosure level existing in a given country.

Furthermore, the solidity of the model is backed up by the high value reported for  $R^2$ , equal to 0.911 (Table 5).

*Table 5 - Synthesis of the model*

<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
0.958	0.919	0.911	1.4796

Even the ANOVA test, founded on the analysis of the coefficient variations, is passed with a high significance value. In particular, what results is a low variability of the estimated coefficients (Table 6).

*Table 6 - ANOVA*

	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
<i>Regression</i>	1014.246	4	253.561	115.828	0.000
<i>Residual</i>	89.754	41	2.189		
<i>Total</i>	1104.000	45			

## 4. Conclusions

This paper purposed to show how corporate disclosure is directly linked to the level of efficiency of the judicial procedures and to a few characteristic features of the national culture.

This assumption is made all the more significant by the evidence that the corporate disclosure plays an important role in the development of capital markets and the credit activity of financial intermediaries within the various countries.

Furthermore, the different disclosure levels within each country are at odds with the efforts to get to an international-wide harmonization of the international accounting standards.

That having been said, the outcome of the analysis conducted on a sample of 45 countries shows a few important elements.

Firstly, the countries that show greater efficiency in the judicial recovery procedures in case of insolvency of the counterparty are characterized by greater levels of disclosure. Even the economic aspect connected with the costs to be borne by a company for the recovery procedures leads to a greater disclosure. Hence, the deterring mechanism that results from the efficiency of the judicial procedures would seem to carry considerable weight in the corporate decisions to disclose information to the various categories, investors and creditors.

The second evidence concerns the role of the national culture in determining greater levels of corporate disclosure. In particular, the *Individualism* dimension would seem to be linked to the adoption of greater measures for the protection of individual rights. Therefore, within a given context, it is able to bring greater pressure to bear on the corporate disclosure. The results of the analysis confirm this hypothesis.

The final evidence concerns the role of the quality of the credit information available within the various countries.

The presence in (public and private) Credit Registers of a few characteristics, such as the collection of positive and negative informations on the behavior of debtors, the possibility for the latter to have access to their individual reports, and the role played not only by the financial but also by the commercial institutions in reporting the debtors' behaviors, lead to a greater level of corporate disclosure.

However, one needs to point to a limit that may be incurred by the analysis and that characterizes most empirical studies based on the cross-country cultural differences.

In particular, the problem relates to the type of representation given to the national culture. Many empirical studies that are based (1980) on Hofstede's evidence take culture to be a static variable and, therefore, quite stable within a given context.

Actually, the major criticism to this approach is founded on the consideration that the culture of a given country may evolve over time and, somehow, turn out to be dynamic.

In fact, it may integrate the peculiar features of different cultures just on account of the integration processes that involve various countries.

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## Annex - Data summary by country

<i>Country</i>	<i>Disclosure index (min 0, max 7)</i>	<i>Cost (enterprise value%) of bankruptcy procedures</i>	<i>Rate of debt recovery (%)</i>	<i>Individualism</i>	<i>Credit disclosure quality (min 0, max 6)</i>
Australia	6	8	3	90	5
Austria	6	18	3	55	5
Belgium	4	4	4	75	6
Brazil	5	8	0	38	6
Canada	7	4	4	80	5
Chile	6	18	1	23	6
Colombia	2	1	2	13	4
Costa Rica	1	18	1	15	5
Denmark	5	8	2	74	4
Ecuador	1	18	1	8	5
Finland	5	1	4	63	4
France	6	8	2	71	3
Germany	5	8	2	67	6
Great Britain	7	6	4	89	6
Greece	5	8	2	35	4
Guatemala	1	18	1	6	4
Hong Kong, China	6	8	3	25	4
India	4	8	1	48	0
Indonesia	4	18	0	14	3
Iran, Islamic Rep.	2	8	1	41	2
Ireland	6	8	4	70	5
Israel	7	23	2	54	4
Italy	5	18	2	76	6
Jamaica	2	18	3	39	0
Japan	6	4	4	46	6
Mexico	5	18	3	30	6
Netherlands	5	1	4	80	5
New Zealand	5	4	3	79	5
Norway	5	1	4	69	5
Pakistan	4	4	2	14	4
Panama	1	38	1	11	5
Peru	4	8	1	16	6
Philippines	6	38	0	32	2
Portugal	5	8	3	27	5
Singapore	5	1	4	20	4
South Africa	6	18	1	65	5
Spain	7	8	3	51	6
Sweden	6	8	3	71	4
Switzerland	5	4	2	68	5
Taiwan, China	6	4	4	17	5
Thailand	6	38	2	20	5
Turkey	2	8	1	37	4
Uruguay	1	8	1	36	5
USA	7	8	3	91	6
Venezuela	1	38	0	12	4

Data Source: World Bank, 2004