Journal of Accounting, Finance, Economics, and Social Sciences
Vol 11, No 1, January - June 2026, pp. 1-9
Received: Oct 2025 | Revised: Mar 2026 | Accepted: May 2026
DOI: https://doi.org/10.62458/jafess11azh1
License: CC BY 4.0

Check for updates

The Relationship between Annual Report Readability and Cost of Capital: Cambodian Evidence

Zubir Azhar*

ABSTRACT

Purpose: *This study investigates whether external financiers in emerging markets incorporate annual report readability into their firm valuation decisions. Specifically, it examines the association between the readability of annual reports issued by Cambodian-listed firms and variations in the cost of external financing.*

Methodology: *The study employs the weighted average cost of capital (WACC) and the Flesch Reading Ease (FRE) index as proxies for the cost of capital and annual report readability, respectively. Using a panel data framework, regression analysis is conducted on a sample comprising all firms listed on the Cambodian Securities Exchange (CSX) from 2020 to 2025.*

Findings: *The findings reveal a negative association between FRE and WACC, suggesting that firms with less readable disclosures incur higher external financing costs.*

Implications: *For regulators in emerging markets such as Cambodia, the results underscore the need to promote disclosure frameworks that enhance transparency and readability, thereby improving market efficiency and reducing information asymmetry. For corporate managers, the evidence highlights that improving the readability of annual reports is not merely a compliance exercise but a strategic tool for lowering financing costs and enhancing firm value.*

Originality: *This study is among the earliest empirical investigations of the relationship between disclosure readability and the cost of capital in Cambodia. It provides novel evidence on how the readability of financial reporting influences investors' financing decisions in emerging markets.*

Limitations and directions for future research: *This study relies on specific proxies to capture key constructs; future research may employ alternative measures of the cost of capital and readability to enable comparative analysis and enhance robustness. It is also based on a relatively small sample drawn from a single country. Subsequent research could improve generalizability by using larger, multi-country datasets.*

Keywords: *Readability; Cost of capital; FRE; WACC; Cambodia*

*Zubir Azhar, Universiti Sains Malaysia, Malaysia
Email: zubirazhar@usm.my

Publisher: CamEd Business School
© 2026, Zubir Azhar

Recommended Citation

Azhar, Z. (2026). The relationship between annual report readability and cost of capital: Cambodian evidence. *Journal of Accounting, Finance, Economics, and Social Sciences, 11*(1), 1 – 9. https://doi.org/10.62458/jafess11azh1

This article is published under the Creative Commons Attribution (CC BY 4.0) International license. You are free to share and adapt the work, for both commercial and non-commercial purposes, as long as you provide full attribution to the original author(s) and JAFESS. Further details can be found at: http://creativecommons.org/licences/by/4.0/legalcode

INTRODUCTION

A key topic explored by accounting scholars over the past decade is the relationship between disclosure quality and the cost of capital (Heflin et al., 2016; Shevlin, 2013). Readability, a widely used proxy for disclosure quality, reflects how easily users understand financial narratives through clear language and structure (Drago et al., 2018). Accordingly, readability plays a critical role in facilitating effective communication between corporate management and external stakeholders, including investors and creditors.

From an informational perspective, clear and accessible financial reports enable stakeholders to better assess firm performance, risks, and prospects. This reduces information asymmetry between managers and capital providers, thereby lowering uncertainty and perceived risk. As a result, improved readability may reduce the cost of capital by lowering risk premiums demanded by investors and lenders (Easley & O'Hara, 2004; Ezat, 2019).

Despite the growing body of literature, empirical evidence on the relationship between financial report readability and the cost of capital remains inconclusive. While several studies document a significant negative association (Ezat, 2019; Dalwai et al., 2021), others report insignificant effects across diverse institutional settings (Bonsall & Miller, 2017; Opare et al., 2021). These mixed findings create ambiguity about whether readability consistently influences financing costs, particularly across varying market environments.

This ambiguity is more pronounced in frontier and less-developed capital markets, where institutional frameworks, financial literacy, and information environments differ substantially from those in developed economies. In these contexts, the role of financial report readability in shaping investor perceptions and reducing information asymmetry remains underexplored. Cambodia represents a particularly relevant setting, given its evolving capital market, limited market depth, and developing regulatory environment.

Accordingly, this study seeks to address the following research question: Does the readability of annual reports influence the cost of capital of publicly traded firms in Cambodia?

To answer this question, the study examines the association between annual report readability and the cost of capital, using data on firms listed on the Cambodian Securities Exchange (CSX) from 2020 to 2025. By focusing on an underexplored frontier market, the study aims to provide context-specific evidence on the economic consequences of the quality of financial disclosure.

This study contributes to the literature in two main ways. First, it extends prior research on disclosure quality by providing empirical evidence on readability in a frontier market context, where its effects may differ due to higher information asymmetry and weaker institutional settings. Second, it offers practical insights for firms and regulators by highlighting the potential role of readable financial reporting in shaping financing conditions and investment decisions.

The remainder of this paper is structured as follows. Section 2 reviews the relevant literature and develops the research hypothesis. Section 3 describes the data, variables, and research methodology. Section 4 presents empirical results and discussion. Section 5 concludes the study.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

A company's capital structure primarily consists of two key financial sources: equity and debt. Equity represents funds contributed by investors who expect returns, such as dividends. Debt comprises financial instruments like loans and bonds, and firms must compensate lenders, such as banks or bondholders, with interest payments. Consequently, both equity investors and creditors receive returns on the capital they supply. These financial obligations collectively constitute the cost of capital, which reflects the expense a company incurs to secure necessary funding from equity and debt providers (Ezat, 2019).

Investors in financial markets rely on the annual reports of publicly listed firms as a key source of information (Clarkson et al., 1994). Consequently, the details presented in these reports must be of high quality to assist stakeholders in making funding decisions. Numerous prior studies (e.g., Aboody et al., 2005; Francis et al., 2008; Eliwa, 2016) have analyzed how disclosure quality influences capital costs but have focused more on the quality of quantitative information, such as earnings.

Beyond numerical accounting data, non-quantitative

details presented in a company's financial reports are expected to be crucial for evaluating its creditworthiness and potential risks (Beyer et al., 2010). Therefore, recent research has shifted toward identifying alternative measures for assessing the quality of narrative disclosures. Consequently, numerous scholars have supported the notion that readability is a suitable metric for measuring the quality of narrative disclosure (Berger, 2011; Beyer et al., 2010; Heflin et al., 2016).

Readability generally refers to how easily text can be read and comprehended (Bhardwaj & Imam, 2019). It plays a crucial role in determining the effectiveness of communication between those who prepare financial reports and their audience (Courtis, 2004; Linsley & Lawrence, 2007; Tan et al., 2015). When financial disclosures are easier to read, users can quickly extract key details without investing significant time or effort, therefore simplifying the analysis of reports (Bloomfield, 2008).

Some suggest that enhancing the readability of financial reports may reduce uncertainty surrounding a company's core financial aspects, simplify oversight by stockholders and creditors, and eventually lower capital costs. Every organization can address ambiguity regarding its financial fundamentals and narrow its spreads by improving the readability of its disclosures (Hoffmann & Kleimeier, 2021).

Prior research examining the relationship between financial report readability and the cost of capital provides mixed and inconclusive evidence. A stream of studies documents a negative association, suggesting that higher readability reduces information asymmetry and perceived risk, thereby lowering firms' cost of external financing. For example, Bonsall and Miller (2017) show that U.S. firms with less readable disclosures face higher borrowing costs, while Ertugrul et al. (2017) find that firms with more complex financial statements incur greater financing costs over the period 1995–2013. Similarly, Hoffmann and Kleimeier (2021) demonstrate that improved readability mitigates informational risk and reduces debt costs, particularly for innovative firms. Consistent with this view, Rjiba et al. (2021) report that more complex narrative disclosures are associated with higher equity capital costs. Collectively, these findings support the argument that readability enhances transparency and facilitates investors' assessment of firm risk.

In contrast, another strand of the literature reports insignificant relationships between readability and the cost of capital. For instance, Ezat (2019), using a sample of Egyptian listed firms, finds no evidence that board report readability affects capital costs. Likewise, Mousa et al. (2022), in a multi-country study of MENA banks, document no significant association between narrative readability and financing costs. These divergent findings suggest that the effect of readability may be context-dependent rather than universal.

The inconsistencies in prior evidence stem from several factors. First, differences in institutional environments, including the strength of regulatory frameworks, enforcement mechanisms, and investor protection, may influence the extent to which market participants value readability. Second, variations in market development and financial literacy can affect users' ability to process financial information, thereby moderating the impact of readability on investment decisions. Third, methodological differences, such as the use of alternative readability proxies (e.g., Flesch Reading Ease versus textual complexity measures) and different cost of capital proxies (e.g., cost of debt, cost of equity, or WACC), may contribute to the lack of consensus across studies.

Despite the growing body of literature, empirical evidence from frontier and less-developed capital markets remains limited. This gap is particularly relevant in the context of Cambodia, where financial markets are still evolving and information asymmetry is likely to be more pronounced. In such an environment, the readability of financial disclosures may play a more critical role in shaping investors' perceptions and reducing uncertainty. Therefore, examining this relationship in the Cambodian setting provides an opportunity to extend the literature by offering context-specific insights into how disclosure quality affects firms' financing costs.

From a theoretical perspective, agency theory holds that higher disclosure quality reduces information asymmetry between managers and external stakeholders, thereby lowering information risk. Consistent with this view, De Franco et al. (2015) argue that more readable financial reports enhance the precision of information available to investors. As information asymmetry declines, investors require lower risk premiums, which ultimately reduces the firm's cost of capital. Accordingly, the following hypothesis is proposed:

H1: A higher level of annual report readability is associated with a lower cost of capital among Cambodian publicly traded firms.

RESEARCH METHODOLOGY

Data and Sample

This research examines the readability of annual reports; however, complete versions of such reports for Cambodian firms listed on the CSX were unavailable before 2020. Accordingly, data on the study's variables were collected for these companies from 2020 to 2025. A total of 11 firms were listed on the CSX during this period. Table 1 presents the names of these firms, the first year of listing on the CSX, and the number of accessible reports for each company over the study period.

Table 1: Information on Cambodian listed corporations

Company name	Year of listing	Number of available reports
ACLEDA Bank Plc.	2020	6
CAMGSM Plc.	2023	3
DBD Engineering Plc.	2021	5
Grand Twins International	2014	6
JS LAND PLC	2022	4
MENGLY J. QUACH EDUCATION PLC.	2023	3
Pestech (Cambodia) Plc.	2020	6
Phnom Penh Autonomous Port	2015	6
Phnom Penh SEZ Plc.	2016	6
Phnom Penh Water Supply	2012	6
Sihanoukville Autonomous Port	2017	6
Total		57

As shown in the table, the final dataset comprises 35 company-year observations. Table 2 provides a breakdown of these observations by year.

Table 2: Sample distribution by industry and year

Year	Complete sample	
	N	%
2020	7	12.28
2021	8	14.04
2022	9	15.79
2023	11	19.3
2024	11	19.3
2025	11	19.3
Total	57	100

This study complies with established ethical standards for research conduct. It relies exclusively on publicly available secondary data from corporate disclosures and recognized databases; therefore, it does not involve human participants, personal data, or confidential information and formal ethical approval is not required. All data sources are acknowledged, and the analysis has been conducted with integrity and transparency, without any manipulation or misrepresentation of the data.

Variables Measurement

The dependent variable in this study is the cost of capital, which is assessed as follows: First, following Omran and Pointon (2004) and Ezat (2019), the cost of equity (COE) is calculated as follows:

$$COE = \frac{1}{\text{PE ratio} - \left(\frac{\text{EPS - DPS}}{\text{EPS}}\right)}$$

Where:

PE ratio = Ratio of the current share price to the earnings per share
EPS = Earnings per share
DPS = Dividend per share

Secondly, the cost of debt (COD) was computed by dividing the interest expense by total liabilities:

$$COD = \frac{\text{Interest expense}}{\text{Total liabilities}}$$

Thirdly, each of the weighted averages for both equity and debt were then estimated, as shown in the following equations:

$$\text{Weighted average of equity (WAE)} = \frac{\text{Market value of equity}}{\text{Market value of equity + Book value of debt}}$$

$$\text{Weighted average of debt (WAD)} = \frac{\text{Book value of debt}}{\text{Market value of equity + Book value of debt}}$$

Finally, the weighted average cost of capital (WACC) as a proxy of the cost of capital is computed as follows:

$$WACC = (COE \times WAE) + (COD \times WAD)$$

The readability of the annual report serves as the independent variable in this research. As the Flesch Reading Ease (FRE) formula remains the most widely used method for evaluation among scholars in accounting, it serves as an indicator of how easily an annual report can be read in this research. This index considers both the average number of syllables per word and the typical sentence length, as these factors significantly affect writing clarity. The initial component reflects word complexity, whereas the latter signifies syntactic complexity. The FRE value is determined using the formula below:

$$FRE = 206.835 - \left(1.015 * \frac{\text{Total word}}{\text{Total sentences}}\right) - \left(84.6 * \frac{\text{Total syllables}}{\text{Total words}}\right)$$

The equation generates a value from 0 to 100, where a higher value indicates greater readability, while a lower one indicates greater complexity. The range of scores from 0 to 30, 31 to 50, 51 to 60, 61 to 70, 71 to 80, 81 to 90, or 90 to 100 are interpreted as very difficult, difficult, fairly difficult, standard, fairly easy, easy, and very easy, respectively.

To evaluate the readability of annual reports, the files are initially obtained in PDF format. Next, the disclosures section is converted to plain text using Adobe Reader Pro. The resulting text is refined to ensure compatibility with readability measurement tools, while non-paragraph elements such as tables are excluded during conversion. A specialized text analysis program, "Readability Studio 2015," is then used to examine these documents, generating widely recognized readability scores from both Word and PDF files. This online tool enables efficient, swift, and impartial assessment of extensive records spanning multiple pages.

Following Ezat (2019), Mousa et al. (2022), and Dalwai et al. (2023), firm size, financial performance, and firm growth, proxied by the natural logarithm of the total assets, return on equity (ROE), and the market-to-book value of equity ratio, are included as control variables. In addition, year dummies are included to account for the year effects. Table 3 presents the criteria used to assess the research variables.

Table 3: Evaluation criteria for the study variables

Variable	Abbreviation	Measurement
Dependent variable		
Cost of capital	WACC	Weighted average cost of capital
Independent variable		
Readability of the annual report	FRE	Flesch Reading Ease score
Control variables		
Firm size	SIZE	Natural logarithms of total assets
Financial performance	ROA	The ratio of earnings before interest and tax to total assets
Firm growth	MTB	The ratio of market value to book value of equity

Empirical Model

Once the data is gathered, a regression model is used to evaluate the study's hypothesis, as outlined below:

$$WACC_{i,t} = \alpha_0 + \alpha_1 FRE_{i,t} + \alpha_2 SIZE_{i,t} + \alpha_3 ROA_{i,t} + \alpha_4 MTB_{i,t} + \alpha_5 YEAR_{i,t} + \varepsilon_i \quad (1)$$

Panel regression is an appropriate analytical method for this study because the dataset includes both cross-sectional and time-series dimensions. This approach allows the study to control for unobserved, time-invariant heterogeneity across entities, thereby reducing potential bias and improving the accuracy of the results. It also captures within and between-entity variation, providing a more comprehensive analysis than using cross-sectional or time-series methods alone.

FINDINGS

Descriptive Statistics

Table 4 presents summary statistics for the average, standard deviation, minimum, and maximum of the study variables. The insignificant difference between the minimum and maximum values of WACC, along with the low standard deviation of this variable, indicates little variation in the level of financing costs that Cambodian firms faced over the last six years.

It has been noted that FRE exhibits the greatest standard deviation, with its lowest and highest figures deviating considerably from the mean. This indicates substantial variation in the readability of the annual reports across the selected firms. Regarding control variables, the descriptive statistics indicate that although financial performance and growth vary substantially across the sampled companies, firm size remains relatively consistent.

Table 4: Summary statistics

Variables Measurement	N	MEAN	SD	MIN	MAX
WACC	57	0.0590653	0.0594655	-0.0596387	.2269648
FRE	57	42.31579	15.41354	-1	77
SIZE	57	23.34689	3.775293	17.92231	31.50691
ROA	57	-2.585565	19.54484	-147.4218	.9245679
MTB	57	5.1682	15.5191	.3490447	117.7275

Pairwise Correlation Analysis

The correlation matrix among the study variables is presented in Table 5. A pairwise correlation analysis was conducted to assess relationships among the study variables and to check for multicollinearity. According to Gujarati (1995), multicollinearity may be a concern when a correlation coefficient surpasses 0.8. As shown in this correlation matrix, the correlation coefficients for all study variables are below 0.8; therefore, the study model does not exhibit multicollinearity.

The findings indicate a negative association between FRE and WACC, implying that firms issuing more readable annual reports tend to incur lower financing costs. Furthermore, firm size and financial performance appear to influence readability: FRE is positively associated with SIZE and negatively associated with ROA, suggesting that larger firms produce more readable reports, whereas more profitable firms disclose less readable information. Finally, the results reveal that WACC is positively related to ROA and negatively related to MTB, indicating that Cambodian firms with stronger financial performance but lower growth opportunities are more likely to incur higher costs of capital.

Table 5: Correlation matrix

	WACC	FRE	SIZE	ROA	MTB
WACC	1				
FRE	-0.2723**	1			
	0.0405				
SIZE	-0.1871	0.4019***	1		
	0.1634	0.0019			
ROA	0.5163***	-0.2212*	-0.0286	1	
	0.000	0.0982	0.8325		
MTB	-0.3074***	0.1717	0.1306	0.1134	1
	0.02	0.2015	0.3328	0.4008	

*, **, and *** indicate the level of significance at 0.1, 0.05, and 0.01, respectively.

Multivariate Regression Analysis

Table 6 presents regression results examining how annual report readability, along with control variables, influences the cost of capital. The regression model has an R-squared of 0.7028, indicating that annual report readability, firm size, financial performance, and firm growth explain approximately 70% of the variation in WACC. The coefficient for FRE is negative and significant (-0.0008996, $P < 0.1$), suggesting that enhancing the readability of annual reports reduces investor uncertainty, thereby lowering the expected rate of return demanded by capital providers.

Table 6: Regression results of the effect of annual report readability on cost of capital

	WACC
FRE	-0.0008996*
	0.062
SIZE	-0.1719794***
	0.000
ROA	0.7153685***
	0.000
MTB	-0.00191***
	0.000
Year effects	YES
Industry effects	YES
CON	3.411927
N	57
Wald chi2(18)	89.87
Prob > chi2	0.000
R-Squared	0.7028

*, **, and *** indicate the level of significance at 0.1, 0.05, and 0.01, respectively.

This result supports H1, indicating that firms with less readable disclosures face higher financing costs because investors demand higher returns to compensate for the difficulty in assessing financial health. This result is also in line with Bonsall and Miller (2017), Ertugrul et al. (2017), Hoffmann and Kleimeier (2021), and Rjiba et al. (2021). Thus, this result suggests that investors in Cambodia perceive lower risk for companies that issue more readable annual reports and, hence, might require a lower rate of return due to the clarity of the disclosures these companies provide.

CONCLUSION

Recently, narrative accounting disclosures have become integral components of companies' annual reports. Although extensive research has focused on the quantitative information in these reports, relatively little attention has been paid to narrative elements, despite their growing significance and complexity. This research examines how the readability of annual reports, an important qualitative characteristic of narrative disclosure, is associated with capital providers' funding decisions in a developing economy. Specifically, it investigates the relationship between annual report readability and the cost of capital using data from Cambodian companies listed on the CSX over the 2020–2025 period, comprising 35 firm-year observations.

Consistent with prior literature documenting an inverse association between financial report readability and capital costs, the findings of this study suggest that firms in Cambodia that issue less readable annual reports, measured using the Flesch Reading Ease (FRE) index, tend to incur higher financing costs. These results are interpreted as evidence that lower readability may increase perceived information risk among investors, which in turn may be reflected in higher external financing costs. However, these findings should be interpreted as associative rather than strictly causal, given the study's design and data limitations.

These results have several implications. For researchers, this study contributes to the literature on disclosure quality by providing evidence of an association between readability and the cost of capital in an emerging market context. It also highlights the need for further research to examine this relationship in other settings within Cambodia and comparable developing economies, where empirical evidence remains limited. For practitioners, the findings suggest that the clarity of annual report writing may influence investors' perceptions and financing decisions, implying that managers may benefit from improving the readability of narrative disclosures to facilitate more effective communication with stakeholders. For investors and creditors, awareness of differences in reporting style may support more informed assessments of corporate information environments and associated risk.

As in prior research, this study is subject to several limitations. It relies on specific proxies to measure key constructs, which may not fully capture all dimensions of cost of capital and readability. Future research could employ alternative or multiple measures of both WACC and readability to enhance the robustness and comparability of results. In addition, this study focuses exclusively on readability and does not consider other important textual attributes, such as tone, sentiment, or disclosure volume. Future studies may extend the analysis to incorporate these additional dimensions. Finally, the relatively small sample size and single-country context limit the generalizability of the findings. Expanding the dataset across firms and

countries would provide stronger, more externally valid evidence.

Conflict of Interests

The author declares no conflict of interest pertaining to the publication of this article.

AI Usage Disclosure

The author declares no AI was used in the creation of this research article.

REFERENCES

Aboody, D., Hughes, J., & Liu, J. (2005). Earnings quality, insider trading, and cost of capital. *Journal of Accounting Research*, *43*(5), 651–673. https://doi.org/10.1111/j.1475-679X.2005.00185.x

Berger, P. G. (2011). Challenges and opportunities in disclosure research—A discussion of 'the financial reporting environment: Review of the recent literature'. *Journal of Accounting and Economics*, *51*(1-2), 204–218. https://doi.org/10.1016/j.jacceco.2010.10.003

Beyer, A., Cohen, D. A., Lys, T. Z., & Walther, B. R. (2010). The financial reporting environment: Review of the recent literature. *Journal of accounting and economics*, *50*(2-3), 296–343. https://doi.org/10.1016/j.jacceco.2010.10.001

Bhardwaj, A., & Imam, S. (2019). The tone and readability of the media during the financial crisis: Evidence from pre-IPO media coverage. *International Review of Financial Analysis*, *63*, 40–48. https://doi.org/10.1016/j.irfa.2019.02.001

Bloomfield, R. (2008). Discussion of "annual report readability, current earnings, and earnings persistence". *Journal of Accounting and Economics*, *45*(2-3), 248–252. https://doi.org/10.1016/j.jacceco.2008.09.001

Bonsall, S. B., & Miller, B. P. (2017). The impact of narrative disclosure readability on bond ratings and the cost of debt. *Review of Accounting Studies*, *22*, 608–643. https://doi.org/10.1007/s11142-017-9388-0

Clarkson, P. M., Kao, J. L., & Richardson, G. D. (1994). The voluntary inclusion of forecasts in the MD&A section of annual reports. *Contemporary Accounting Research*, *11*(1), 423–450. https://doi.org/10.1111/j.1911-3846.1994.tb00436.x

Courtis, J. K. (2004). Corporate report obfuscation: Artefact or phenomenon? *The British Accounting Review*, *36*(3), 291–312. https://doi.org/10.1016/j.bar.2004.03.005

Dalwai, T., Chinnasamy, G., & Mohammadi, S. S. (2021). Annual report readability, agency costs, firm performance: an investigation of Oman's financial sector. *Journal of Accounting in Emerging Economies*, *11*(2), 247-277. https://doi.org/10.1108/JAEE-06-2020-0142

Dalwai, T., Habib, A. M., Mohammadi, S. S., & Hussainey, K. (2023). Does managerial ability and auditor report readability affect corporate liquidity and cost of debt? *Asian Review of Accounting*, *31*(3), 437–459. https://doi.org/10.1108/ARA-06-2022-0151

De Franco, G., Hope, O. K., Vyas, D., & Zhou, Y. (2015). Analyst report readability. *Contemporary Accounting Research*, *32*(1), 76–104. https://doi.org/10.1111/1911-3846.12062

Drago, C., Ginesti, G., Pongelli, C., & Sciascia, S. (2018). Reporting strategies: What makes family firms beat around the bush? Family-related antecedents of annual report readability. *Journal of Family Business Strategy*, *9*(2), 142–150. https://doi.org/10.1016/j.jfbs.2018.03.001

Easley, D., & O'hara, M. (2004). Information and the cost of capital. *The Journal of Finance*, *59*(4), 1553–1583. https://doi.org/10.1111/j.1540-6261.2004.00672.x

Eliwa, Y., Haslam, J., & Abraham, S. (2016). The association between earnings quality and the cost of equity capital: Evidence from the UK. *International Review of Financial Analysis*, *48*, 125–139. https://doi.org/10.1016/j.irfa.2016.10.004

Ertugrul, M., Lei, J., Qiu, J., & Wan, C. (2017). Annual report readability, tone ambiguity, and the cost of borrowing. *Journal of Financial and Quantitative Analysis*, *52*(2), 811–836. https://doi.org/10.1017/S0022109017000187

Ezat, A. N. (2019). The impact of earnings quality on the association between readability and cost of

capital: Evidence from Egypt. *Journal of Accounting in Emerging Economies*, *9*(3), 366–385. https://doi.org/10.1108/JAEE-12-2018-0136

Francis, J., Nanda, D., & Olsson, P. (2008). Voluntary disclosure, earnings quality, and cost of capital. *Journal of Accounting Research*, *46*(1), 53–99. https://doi.org/10.1111/j.1475-679X.2008.00267.x

Gujarati, D. N. (1995). *Basic econometrics* (3rd ed.). McGraw-Hill.

Heflin, F., Moon Jr, J. R., & Wallace, D. (2016). A re-examination of the cost of capital benefits from higher-quality disclosures. *Journal of Financial Reporting*, *1*(1), 65–95. https://doi.org/10.2308/jfir-51322

Hoffmann, A. O., & Kleimeier, S. (2021). Financial disclosure readability and innovative firms' cost of debt. *International Review of Finance*, *21*(2), 699–713. https://doi.org/10.1111/irfi.12275

Linsley, P. M., & Lawrence, M. J. (2007). Risk reporting by the largest UK companies: Readability and lack of obfuscation. *Accounting, Auditing & Accountability Journal*, *20*(4), 620–627. https://doi.org/10.1108/09513570710762580

Mousa, G. A., Elamir, E. A., & Hussainey, K. (2022). The effect of annual report narratives on the cost of capital in the Middle East and North Africa: A machine learning approach. *Research in International Business and Finance*, *62*, 101675. https://doi.org/10.1016/j.ribaf.2022.101675

Omran, M., & Pointon, J. (2004). The determinants of the cost of capital by industry within an emerging economy: Evidence from Egypt. *International Journal of Business*, *9*(3), 237–258.

Opare, S., Houqe, M. N., & Van Zijl, T. (2021). Meta-analysis of the impact of adoption of IFRS on financial reporting comparability, market liquidity, and cost of capital. Abacus, 57(3), 502-556. https://doi.org/10.1111/abac.12237

Rjiba, H., Saadi, S., Boubaker, S., & Ding, X. S. (2021). Annual report readability and the cost of equity capital. *Journal of Corporate Finance*, *67*, 101902. https://doi.org/10.1016/j.jcorpfin.2021.101902

Shevlin, T. (2013). Some personal observations on the debate on the link between financial reporting quality and the cost of equity capital. *Australian Journal of Management*, *38*(3), 447–473. https://doi.org/10.1177/0312896213510669

Tan, H. T., Wang, E. Y., & Zhou, B. (2015). How does readability influence investors' judgments? Consistency of benchmark performance matters. *The Accounting Review*, *90*(1), 371–393. https://doi.org/10.2308/accr-50857