Extended Abstract

1. Introduction

Information asymmetry arises when managers possess superior information about a firm relative to external stakeholders. This unequal distribution of information may lead to inefficient decision-making and create opportunities for insiders to act at the expense of outside investors. Even in relatively efficient capital markets, discrepancies may exist between a firm's intrinsic value and market valuation due to undisclosed or imperfectly communicated information.

Investors and other users of financial statements rely on both mandatory and voluntary disclosures to reduce uncertainty and make informed economic decisions. In competitive and uncertain business environments, managers must carefully assess the economic consequences of voluntary disclosure. Such decisions involve weighing the costs of disclosure—such as the potential loss of competitive advantage—against the costs of nondisclosure, including adverse selection, being pooled with lower-quality firms, and reduced market valuation. At the same time, voluntary disclosure can yield significant benefits, such as enhanced transparency, improved investor confidence, and higher stock prices.

Financial reporting transparency is not uniform across firms and is strongly influenced by managerial ability. Differences in managerial expertise, judgment, and experience affect reporting quality and disclosure practices. More capable managers are better able to reduce information asymmetry, constrain earnings manipulation, and enhance firm value by producing higher-quality financial reports—reports that more accurately reflect a firm's economic performance and cash flows.

Accordingly, this study examines the effect of managerial ability on voluntary information disclosure in companies listed on the Tehran Stock Exchange.

2. Research Hypothesis

Grounded in agency theory, signaling theory, and prior empirical research, this study addresses the following research question: What is the effect of managerial ability on voluntary information disclosure?

The corresponding hypothesis is formulated as follows:

- **H1:** Managerial ability has a positive effect on voluntary information disclosure.

3. Research Method

This applied research adopts a descriptive–correlational design based on quantitative data. The sample comprises 125 companies listed on the Tehran Stock Exchange over the period 2012–2023, yielding 1,500 firm-year observations.

Data analysis is conducted using multiple regression models within a panel data framework, allowing for the control of unobserved firm-specific effects and time variation.

4. Results

The empirical results indicate that managerial ability has a positive and statistically significant effect on voluntary information disclosure. The findings support the proposed hypothesis, suggesting that firms led by more capable managers exhibit higher levels of voluntary transparency.

5. Discussion and Conclusion

The results suggest that highly capable managers tend to increase voluntary disclosure as a signaling mechanism to convey their competence and firm quality to the market. In contrast, less capable managers may limit information disclosure in order to conceal managerial weaknesses or poor performance.

Overall, managerial ability plays a critical role in enhancing financial reporting quality, firm performance, and the level of voluntary disclosure. By promoting transparency, capable managers help attract investors, reduce information asymmetry, and increase firm value. These findings underscore the importance of selecting, developing, and retaining talented managers as a means of improving corporate transparency and mitigating the opacity associated with lower managerial ability.

Keywords

Managerial ability; Information transparency; Voluntary information disclosure; Financial reporting quality; Tehran Stock Exchange