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Corporate disclosure, cost of capital and reputation: Evidence from finance directors

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Abstract

The majority view of the executives interviewed is that disclosure reduces the cost of equity up to the point at which a good-practice level of communication has been reached, after which there is little further effect. Greater disclosure to rating agencies and lenders reduces the cost of debt. Attitudes towards more mandatory disclosure are mostly negative. The main perceived cost of disclosure is creating the information. The main benefits are promotion of a reputation for openness and of shareholder confidence, not a lower cost of capital. We suggest that a reputation for openness is valued because it enhances the company's overall reputation, which brings commercial benefits.

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