EFFICACY OF CORPORATE GOVERNANCE ON CORPORATE DISCLOSURE IN DEVELOPING ECONOMIES: A COMPARATIVE STUDY OF COMPANIES LISTED ON SELECTED STOCK MARKETS IN SUB SAHARAN AFRICA

BY

ERIC NZIBONERA

STUDENT NUMBER: NZBERI001

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SUPERVISORS:

PROFESSOR ENRICO ULIANA

DEPARTMENT OF FINANCE AND TAX

UNIVERSITY OF CAPETOWN

DR. GODFREY AKILENG

DEPARTMENT OF ACCOUNTING AND FINANCE

MAKERERE UNIVERSITY

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DECLARATION

I hereby declare that this Doctoral Thesis is a product of my own independent work. It has never been submitted to any University for the award of the Degree of Doctor of Philosophy, or any other qualification.

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Eric Nzibonera

Student Number: NZBERI001

DEDICATION

This Thesis is dedicated to my dear wife Dorothy Nyakato Nzibonera and our children.

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LIST OF ACRONYMS

CEO	Chief Executive Officer
USA	United States of America
BS	Board size
BC	Board composition
CAC	Composition of audit committee
DO	Director Ownership of shares
BO	Block ownership of shares
USE	Uganda Securities Exchange
USHEPiA	Universities Science, Humanities, Law and Engineering Partnerships in Africa
ICPAU	Institute of Certified Public Accountants of Uganda
JSE	Johannesburg Securities Exchange
CSR	Corporate Social Responsibility
OECD	Organization of Economic Co-operation and Development
CAMA	Companies and Allied Matters Act of Nigeria
ROA	Return on assets
ROE	Return on equity
UCMA	Uganda Capital Market Authority

ABSTRACT

The purpose of the study is to examine the relationship between corporate governance and disclosure of corporate information by listed companies in developing economies. A comparative study was carried out covering listed companies in South Africa, East Africa and Nigeria. The study is based on the agency theory which asserts that enhanced disclosure is one of the fundamental goals of a company's reporting system aimed at reducing agency costs and information asymmetries between shareholders and managers, and hence a tenet of any effective governance system. Although corporate disclosure provides a channel through which shareholders obtain valuable information to make investment decisions, prior studies reported mixed empirical evidence on the role of corporate governance in enhancing corporate disclosure. Empirical evidence from Sub-Saharan Africa and developing economies in general remains scanty. Despite the fact that corporate governance systems have been widely used in strengthening the quality of financial reporting and disclosure, several corporate scandals and failures have continued to occur around the globe and the efficacy of corporate governance on disclosure activities in preventing managers from misappropriating corporate resources remains an empirical question.

A comprehensive literature review revealed six corporate governance attributes (Chief Executive Officer [CEO] non-duality, board size, board composition, composition of audit committees, block and director share ownership) and three control variables (Firm size, leverage, and profitability) that may have a significant influence on corporate disclosure. Corporate disclosure was categorized into disclosure of financial and non-financial information. Data was collected from annual reports of non-financial listed companies on selected securities exchanges in Sub-Saharan Africa for the period 2010 to 2013. A comparative panel data analysis was then carried out using STATA MP Version 13, to obtain random-effects regression models which were used to examine the relationship between corporate governance and corporate disclosure.

Overall, the findings revealed that CEO non-duality, board size and board composition have a positive significant effect on corporate disclosure, while the effect of block and director share ownership is negative. The study concluded that for effective disclosure of information in developing economies, companies should minimize block and director share ownership; separate the roles of chief executive officers and chairpersons of board of directors; increase board size; and ensure that there is a higher proportion of non-executive directors on boards.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The concept of corporate governance has become a universal business quality issue and is believed to play a vital role in the management of organizations in both developed and developing economies (Mwanzia and Wong, 2011:16). The term, which scarcely existed before the 1990s, is now universally discussed whenever business and financial issues arise. It is a fast-evolving concept and its development has been driven by the need to restore investor confidence in the operation of capital markets (Nadeem, Zongjun and Shoaib, 2013:38).

Corporate governance is a system by which companies are directed and controlled (Cadbury Report, 1992:14). It is associated with the protection of shareholders' interests through the establishment of good governance systems (Olof, Mattias and Johan, 2007:295). In a broader perspective, the Organization of Economic Co-operation and Development (OECD) (2004:13) principles of corporate governance define it as a set of relationships between a company's management, its board, shareholders and other stakeholders. Effective corporate governance reduces control rights which shareholders and other fund providers confer on managers, thus increasing the probability of managers investing in positive net present value investment projects (Shleifer and Vishny, 1997:740).

The common tenet in all governance systems is the facilitation of the control of management and achievement of company value (Poh and Grantley, 2013:6).

Globally, corporations have taken steps to strengthen their governance practices to enhance accountability, transparency in financial reporting and disclosure of corporate information. Transparent financial reporting is critical in reducing information asymmetry and facilitates the monitoring of management's actions, making it difficult for management to act opportunistically (Ashbaugh-Skaife, Collins and LaFond, 2006:212). Therefore, corporate governance protects shareholders from expropriation by managers and increases investor confidence.

The demand for corporate disclosure increases day by day due to agency conflicts and asymmetric information between corporate management and shareholders. According to the agency theory, these conflicts are caused by the separation of ownership and control which lead to the misalignment of managers and shareholders' interests (Healy and Palepu, 2001:406).

Higher disclosure, in addition to reducing information asymmetry, could help minimize the conflict of interests between shareholders and management (Htay, Majdi, Akhyar and Meera, 2012:5) and reduce agency costs (Nandi and Ghosh, 2012:46).

On the other hand, poor disclosure of corporate information can mislead shareholders into making sub-optimal investment decisions, which ultimately affect company value and shareholders' wealth. Poor disclosure of corporate information may also bring about the transfer of wealth from owners to managers, making current and potential investors discount share prices (Sun and Rath, 2008:407).

Several high-profile corporate failures in both developed and developing economies, have increased global awareness of the importance of corporate governance (Nurwati and Wan, 2009:7; Chen and Jaggi, 2001:291).

Globally, the collapse of major corporate entities such as Adelphia, Enron and WorldCom, in the United States of America (USA), South East Asia, Europe and Nigeria has shaken investors' faith and confidence in the capital markets and the efficacy of existing corporate governance practices in the promotion of transparency, accountability and financial disclosure quality. This has rejuvenated the need for good corporate governance and disclosure of all relevant information in corporate entities.

In developing economies, the corporate governance debate has resulted in the development of various codes and best practices of corporate governance. For instance, according to Wanyama, Burton and Helliar (2009:162), in East Africa, the corporate governance regime in Uganda, evolved through the formulation of relevant laws which resulted in the establishment of various regulatory and supervisory agencies such as the Institute of Corporate Governance of Uganda (ICGU), Uganda Securities Exchange (USE), Uganda Capital Markets Authority (CMA) and the Institute of Certified Public Accountants of Uganda (ICPAU). In 2000, the Kenyan Capital Market Authority issued draft corporate governance guidelines outlining significant changes to corporate governance practices for listed companies which included, establishment of audit committees, having non-executive directors on corporate boards and separation of roles of the

CEO and the chair board of directors (Barako, Hancock and Izan, 2006:109). In Nigeria, the Securities and Exchange Commission inaugurated and mandated a corporate governance committee to develop corporate governance guidelines for public companies (Adenike, 2013:110). This led to the introduction of the code of best practices in 2003, which resulted in gradual and consistent improvements in corporate governance (Isimkah, 2012:19). South Africa also published its corporate governance code of best practice in King reports I, II, and III. This is why there is a need to evaluate the effectiveness of these corporate governance practices and their influence on corporate disclosure in the selected countries.

1.2 STATEMENT OF THE PROBLEM

Globally, the demand for corporate disclosure is increasing rapidly due to agency conflicts and information asymmetry between managers and shareholders that have led to several corporate failures (Nandi and Ghosh, 2012:46). Although corporate governance systems have been widely used in strengthening the quality of financial reporting and corporate disclosure, several corporate scandals and failures have continued to occur around the globe (Bhasin and Shaikh, 2013:80). Major cases include Enron, Parmalat, Satyam, Qwest Communications International, Tyco, Freddie Mac, Lehman Brothers, Xerox, and WorldCom (Elisabetta, Hugh and Lorenzo, 2012:142). While in theory, increased disclosure reduces agency costs, the efficacy of corporate governance on disclosure activities in constraining self-interested managers from misusing resources remains an empirical question (Huang and Zhang, 2012:204).

Therefore, there is a need to strengthen corporate governance systems so as to enhance disclosure of information for listed companies in developing countries. Although a lot of research has been carried out on the association between corporate governance systems and corporate disclosure, most of these studies have focused on developed economies (Barako et al., 2006:108). Similar studies in developing countries are limited and only target individual countries (Tsamenyi, Ennuinful and Onumah, 2007:320). While corporate governance literature suggests a link between agency conflicts and sub-optimal disclosure, there is limited empirical evidence to show that corporate governance mechanisms designed to control agency conflicts have a positive effect on corporate disclosure (Seamer, 2014:220).

1.3 OBJECTIVES OF THE STUDY AND RESEARCH QUESTIONS

The primary objective of the study is to examine the relationship between corporate governance and disclosure of corporate information by listed companies in developing economies. The specific objectives include:

i. To establish corporate governance attributes applicable for disclosure of corporate information by listed companies in developing economies.

ii. To examine the relationship between corporate governance attributes and disclosure of financial information by listed companies in developing economies.

iii. To examine the relationship between corporate governance attributes and disclosure of non-financial information by listed companies in developing economies.

The research questions that guided the study to achieve research objectives include:

i. What are the corporate governance attributes applicable for disclosure of corporate information by listed companies in developing economies?

ii. What is the relationship between corporate governance attributes and disclosure of financial information by listed companies in developing economies?

iii. What is the relationship between corporate governance attributes and disclosure of non-financial information by listed companies in developing economies?

1.4 MOTIVATION OF THE STUDY

The motivation of this study is threefold. First, although a number of studies on the relationship between corporate governance and corporate disclosure have been carried out in developed economies, limited research has been done in developing countries (Nurwati and Wan, 2009:6). Developing countries are those states in the mid-stream of development which are mostly found in Asia, Latin America and Africa. They suffer from lack of professional and skilled personnel, and face challenges in attracting professionals with accounting and finance knowledge (Waweru, Kamau and Uliana, 2011:339). They are also faced with difficulties such as underdeveloped and illiquid stock markets, weak regulatory and legal controls and economic uncertainties, which call for effective corporate governance mechanisms that enhance corporate disclosure (Tsamenyi et al., 2007:319). Herath and Freeman (2012:90) assert that the numerous unique problems faced by developing countries, such as weak governance and regulatory controls, make their corporate governance practices different from those in developed countries.

Secondly, companies operating in developing economies need substantial foreign direct investments to support the locally generated capital required to spur economic growth and development. However, for this to happen, foreign investors from developed economies with higher disclosure and transparent systems would demand comparable levels of transparency and disclosure from companies in developing economies (Adelopo, 2011: 339). A survey by the World Bank of 60 developing nations identified lack of transparency, non-disclosure of corporate information and corruption as the greatest impediments to economic development in developing countries (Adenike, 2013:110). Therefore, in order to enhance transparency and disclosure of information in developing economies, there should be good corporate governance systems in place.

Thirdly, corporate scandals such as those involving Enron and WorldCom have exposed corporate governance failures that affected the economies of developed nations and have drawn attention to weak corporate governance in developing economies (Okpara, 2011: 184). Similarly, a number of financial crises and scandals in Nigeria, South Africa, East Africa and globally, have reignited the debate that has continued to focus on the need for strengthening corporate governance systems with a view to enhancing corporate disclosure. In East Africa, Uganda has had several corporate failures such as the Co-operative Bank, Greenland Bank, and Trans-African Bank. A commission of inquiry that was set up by the Government to review the collapse of these banks reported that the possible causes could have been: poor governance systems, lack of transparency and information disclosure, and fraud (Wanyama et al., 2013:20). In Nigeria, a comprehensive study carried out by the World Bank Group observed that Nigerian financial reporting practices are weak (Unuagbon and Oziegbe, 2016:43).

In response to various corporate governance scandals, governments have introduced a number of regulatory changes, one of which is increased corporate disclosure (Okpara, 2011:187). However, although from the agency theory perspective, corporate governance mechanisms are considered an important factor in explaining decisions of voluntary corporate disclosure, very limited research has been carried out to examine the association between corporate governance mechanisms and corporate disclosure (Samaha, Dahawy, Hussaney and Stapleton, 2012:169). Furthermore, despite the evidence that agency conflicts lead to inadequate disclosure of corporate information, relatively few studies have investigated whether corporate governance mechanisms designed to control agency conflict are effective in enhancing optimal information disclosure (Seamer, 2014:112). This, therefore, prompts the need to examine the effectiveness of good governance practices in enhancing disclosure of corporate information in developing economies.

1.5 SCOPE OF THE STUDY

The study covered a comparative analysis of the relationship between corporate governance attributes and corporate disclosure in developing economies. Specifically, the study covered listed companies on selected major stock markets in Sub-Saharan Africa. The choice of listed companies was based on the fact that their operations are regulated by Capital Market Authorities and Security Exchange Commissions and their annual and corporate governance reports can be easily obtained. The selected securities exchanges in this study were: Nigeria Stock Exchange in West Africa; Nairobi Securities Exchange and Uganda Securities Exchange in East Africa; and Johannesburg Securities Exchange in South Africa.

Nigeria Stock Exchange was selected because it is the major stock market in West Africa although its operations were heavily affected by the 2007-2008 global financial crises, leading to to increased capital flights from the Nigerian capital market by foreign investors (Nwude, 2012:109). The global crises tested the effectiveness of corporate governance systems in Nigeria Stock Exchange on disclosure of relevant information to corporate stakeholders.

East Africa was selected because since the inception of capital market operations and incorporation of securities exchanges in the region ─ that is, the Nairobi Securities Exchange in 1954 and Uganda Securities Exchange in 1997 ─ few empirical studies on the effectiveness of corporate governance and corporate disclosure have been carried out. Even then, the few studies carried out, like those of Barako et al. (2006:120) and Barako (2007:125), produced mixed results. For instance, whereas the findings of Barako et al. (2006:120) show that CEO non-duality has no significant influence on corporate disclosure, Barako (2007:125) revealed that CEO non-duality has a positive significant influence on disclosure of governance and Corporate Social Responsibility (CSR) information. Furthermore, Barako et al. (2006:120) established that board composition has a negative influence on corporate disclosure while empirical results of Barako (2007:125) show that board composition has a negative significant influence on disclosure of financial information while its impact on disclosure of governance and CSR information is not significant.

In addition, the Nairobi Securities Exchange is one of the oldest stock markets in Sub-Saharan Africa and all East African Community member states (Kenya, Uganda and Tanzania) signed a Memorandum of Understanding to set up a Securities Regulatory Authority in an effort to promote integration amongst East African Securities Exchanges. Uganda Securities Exchange has harmonized its listing rules with Nairobi Securities Exchange (Adjasi and Yartey, 2007:25). Therefore, the capital market and securities exchange operations in the region require good practices of corporate governance, transparency, and corporate disclosure which is the focus of this study.

The choice of South Africa was motivated by the fact that it is among the first developing economies to publish its corporate governance guidelines and code of best practices (King I Report in 1994, King II Report I in 2002, and King III Report in 2010) and it is the largest African securities exchange with considerable influence on the African continent. Wanyama et al. (2009:162) state that South Africa became one of the leaders in the corporate governance field, not only on the African continent, but also on the globe by setting up King Committee in 1992 with the aim of improving corporate governance systems. However, despite the uniqueness of the development of corporate governance practices in South Africa compared to other developing countries, there are a limited number of corporate disclosure studies whose samples include a number of South African listed firms (Ntim, Kwaku and Danbolt, 2012:123).

Although this empirical study considers corporate governance in its entirety and provides an extensive review of corporate governance, its scope was limited to a few corporate governance attributes applicable to the disclosure of corporate information in developing economies. The attributes include: CEO non-duality, board composition, and board size, composition of audit committees, block ownership of shares and director share ownership. These attributes were identified through extensive literature reviews and their influence on disclosure of corporate information is discussed with controls for firm size, profitability and leverage. In line with previous studies (Wen, Philomena and Barry, 2013:262; Poh and Grantley, 2013:83; and Rouf, 2011:7844), corporate disclosure involves the disclosure of financial information and non-financial information which focuses on governance and CSR.

1.6 SIGNIFICANCE OF THE STUDY

Literature on corporate governance and corporate disclosure in developing economies in general and particularly in Sub-Saharan Africa is limited. This study fills the current research gaps in corporate governance literature, with particular emphasis on corporate disclosure by listed companies in developing countries. The study also evaluates the effectiveness of corporate governance systems in enhancing disclosure of information and transparency by listed companies in developing economies. Corporate disclosure is vital for attracting investments and boosting economic growth and development. The research makes a contribution by suggesting the kind of corporate governance system required to increase disclosure of corporate information which enhances economic growth and development in Sub Saharan Africa and other developing economies.

This study makes a comparative analysis of listed companies in Nigeria, East Africa and South Africa. There are few studies with such a focus since most research on corporate governance and disclosure has been concentrated on an individual country. The study, therefore, contributes to the current limited literature on how corporate governance research can be carried out on a comparative basis in both developed and developing economies.

1.7 ORGANIZATION OF THE STUDY

The study continues as follows:

Chapter two describes the theoretical framework of corporate governance (the agency, stewardship and stakeholder theories). It also outlines the development of corporate governance systems in the area under study (Nigeria, East Africa and South Africa). The chapter describes corporate disclosure and discusses existing literature and theoretical gaps between the agency theory, corporate governance and corporate disclosure.

Chapter three covers the research design and approach used to carry out the study. It outlines the hypotheses formulated after extensive literature review and the econometric model describing the variables under study. The chapter also describes the study period and the sampling procedure. It further describes data collection methods and measurement of study variables. The chapter ends by describing models and the statistical tool used in data analysis.

Chapter four presents descriptive statistics evaluating the level of application of corporate governance attributes for listed companies in the area under study (South Africa, East Africa and Nigeria), in comparison with existing studies in both developed and developing economies. It also presents tests of normality and discusses results of Spearman's correlation analysis. It ends with the use of correlation analysis to detect multicollinearity.

Chapter five covers a comparative analysis and interpretation of findings on the effect of corporate governance attributes on disclosure of financial information for listed firms in South Africa, East Africa and Nigeria.

Chapter six covers a comparative analysis and interpretation of findings on the effect of corporate governance attributes on disclosure of non-financial information for listed firms in South Africa, East Africa and Nigeria.

Chapter seven presents a discussion and summary of significant findings in relation to the study hypotheses. The chapter discusses empirical results in relation to theory and existing empirical research. The chapter further presents contributions of the study to the body of knowledge, to the society and to policy makers, gives conclusions and proposes several recommendations. The chapter ends with a description of the limitations of the study, and suggestions for future research studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter presents and discusses literature that relates corporate governance to corporate disclosure. It commences with the evaluation of corporate governance theories and how they form a basis for corporations to strengthen corporate governance systems that finally impact on the disclosure of corporate information. These include the agency, stakeholder, and stewardship theories. The chapter further discusses developments and the regulatory framework of corporate governance systems in the area under study (Nigeria, East Africa and South Africa) with a view to establishing how the current governance systems impact on the disclosure of corporate information.

The chapter progresses by reviewing the existing empirical studies and findings of corporate governance attributes and control variables that influence disclosure of corporate information. This review helped identify research gaps in the existing empirical findings, hence laying a basis to justify the need for further research. The governance attributes considered in this literature review include CEO non-duality, board composition and board size, composition of audit committees, block ownership of shares, and director share ownership, while the control variables identified and discussed include firm size, profitability , and leverage.

2.2 THEORETICAL FRAMEWORK OF CORPORATE GOVERNANCE

Corporate governance is a system under which corporations are directed and controlled. It encompasses the authority, stewardship, leadership, direction and control exercised in the process of managing corporate entities (Mwanzia and Wong, 2011:14). It is a corporate structure in which agents (managers) have a lot of powers delegated to them so that they can carry out entrepreneurial activities on behalf of principals ─ the shareholders (Sven, Elin, Timurs, Penillar and Torbjorn, 2013:80). Corporate governance is defined as a system in which all corporate stakeholders attempt to ensure that the firm’s activities are controlled in such a way that managers will adopt mechanisms that protect stakeholder interests. It is a system of laws, regulations, institutions, markets, contracts, and corporate policies and procedures that direct and influence the actions of top-level decision makers in an organization (Brickley & Zimmerman, 2010:2).

If effective governance systems are not put in place to monitor the activities of corporate managers, then the interests of managers would override those of investors and therefore the shareholders’ wealth maximization objective would not be realized. Corporate governance is a fast-evolving concept and its development has been driven by the need to restore investor confidence in the operations of capital markets through the promotion of transparency and corporate information disclosure (Nadeem, Zongjun and Shoaib, 2013:39). The issue of corporate governance has become vital in the corporate world since it influences the ability of companies to raise funds from capital markets, narrows the gap between the agents and principals, and helps in the building of a strong financial system and economy that is less susceptible to economic crises (Htay, Syed and Ibrahim, 2013:120).

Traditionally, research into corporate governance has adopted the agency theory approach focusing exclusively on resolving agency conflicts between corporate management and shareholders (Niamh and Jill, 2008:888). Agency and stewardship are the main theories underlying the literature and research on corporate governance (Mwanzia and Wong, 2011:16). The consideration of corporate governance has, however, started to broaden in its coverage and there has been a change in emphasis away from the traditional shareholder-centered approach to a more stakeholder-oriented approach (Niamh and Jill, 2008:892). Therefore, the theoretical framework of corporate governance in this study focuses on the agency, stewardship and stakeholder theories.

2.2.1 Agency theory

Most researches on corporate governance are based on the agency theory which focuses on resolving conflicting interests between corporate managers and shareholders (Jensen and Meckling, 1976:309). Agency relationship is defined as a contract under which one party (the principal) engages another party (the agent) to perform some activities on behalf of the principal. The directors and managers as agents are directly responsible for the smooth operations of the company, which must be in line with the interests of shareholders. They are, therefore, expected to work efficiently to ensure that the wealth of shareholders is maximized by investing in highly profitable ventures. However, due to the separation of ownership and control, agency problems such as moral hazards and adverse selection could emerge, and corporate directors might maximize their own interests at the expense of shareholders (Htay, Syed and Ibrahim, 2013:121). Adverse selection and moral hazards occur when a principal cannot clearly ascertain whether an agent is using his abilities with maximum effort to perform the activities that he is paid to do (Mwanzia and Wong, 2011:16). This creates agency conflicts in the management of corporate resources where managers end up benefiting from company investment returns more than the shareholders. The agency conflicts, coupled with information asymmetry, provide potential for financial reporting and disclosure concerns to arise (Akileng, 2014:2).

Through the comprehensive theory of the firm developed by Jensen and Meckling (1976), agency arrangements were established, under which principals (shareholders) can be assured that agents will make optimal decisions only if appropriate incentives are given and agents are monitored (Bonazzi and Sardar, 2007:8). Monitoring of agents includes systematic reviews of management decisions, financial audits and the ensuring of maximum transparency and corporate information disclosure, which calls for good corporate governance mechanisms. According to Htay et al. (2013:121), agency theory and many corporate guidelines suggest that corporations should have good governance systems so as to enhance transparency and disclosure of corporate information. Corporate stakeholders are concerned with the agency theory because of the existence of agency costs which are an inevitable result of separation of corporate ownership and control (Mueller, 2007:629).

2.2.2 Stewardship theory

According to Abeysekera (2010:506), corporate disclosure literature related to corporate governance has been theorized using the agency and stewardship perspectives. The stewardship theory was advanced to deal with motivational uncertainties highlighted by the agency theory. Its departure from the agency theory holds the view that corporate managers are less individualistic, opportunistic and self-serving. The theory acknowledges that managers and executive employees of the company are trustworthy and aim to achieve their own goals by serving the interests of the organization (Robins, 2008:332). It postulates that corporate managers are motivated by the need to gain intrinsic satisfaction through the accomplishment of challenging tasks to the best of their abilities (Okpara, 2011:185). Their motivation transcends mere monetary needs; it focuses on recognition through the achievement of organizational objectives.

The proponents of the stewardship theory argue that stewards ensure that corporate governance structures are adhered to and will seek to maximize organizational utility through profitable use of organizational resources (Cam, Linda, Ranjan and Patricia, 2008:154). The stewardship approach to corporate governance therefore proposes that managers should have interests similar to those of the corporations they lead and that their careers and reputations are linked with the attainment of organizational goals (Suzanne and Vijaya, 2008:98). It therefore supports the empowering of corporate structures and governance mechanisms to allow managers and directors to make decisions which will enhance firm performance, transparency and corporate disclosure.

2.2.3 Stakeholder theory

This theory extends the scope of corporate governance beyond the relationship between management and shareholders to include other interested parties in the corporation’s activities (Wanyama et al., 2013:21). It is premised on the notion of the firm as a legal and artificial person that carries out its activities in a community and it is based on the view that there is a need to disclose corporate information and satisfy various needs of different interested parties. The stakeholder theory recognizes the fact that most corporations have a large and integrated set of stakeholders to which they have an obligation and responsibility and therefore they should have governance systems tailored towards meeting their specific and diverse requirements (Sweeney and Coughlan, 2008:115).The implication of the theory is that corporate disclosure should not only aim at resolving conflicts between corporate management and shareholders but also focus on serving the interests of all stakeholders.

The emergence of stakeholder theory in corporate governance was prompted by the growing recognition of the need to take into account the wider interests of the society (Kang et al., 2007:406). It is therefore believed that with the increasing importance of broadening the domain of corporate governance requirements beyond major shareholders to other stakeholders such as small shareholders, suppliers, and employees, board independence will ensure that their interests are directly represented in corporate decision-making. The theory posits that corporate disclosure reduces information asymmetries between a company and its stakeholders (Brammer and Pavelin, 2008:121). This helps the company to disseminate value relevant information and also provide opportunities to different stakeholders such as stock analysts, capital markets, and individual and institutional investors regarding the future financial prospects of the firm.

Although all the theories evaluated (agency, stewardship and stakeholder) help to describe the importance of corporate governance to corporate disclosure, most studies that evaluate the efficacy of corporate governance systems use the agency theory. This is because the basis of the agency theory is to explain how the agency conflicts that arise because of different interests of shareholders and managers of a company can be mitigated. The concept of effective governance evolved from the relationship between the agency theory participants in an organization — that is, the shareholders (principals) and management (agents) — and it is deemed to be achieved when governance mechanisms are implemented to ensure that their interests are fully aligned (Christopher, 2010:684). Corporate disclosure is one of the important tools used to mitigate asymmetric information and agency problems (Cheung, Jiang and Tan, 2010:261). This study, therefore, uses the agency theory in evaluating the efficacy of corporate governance on corporate disclosure in developing economies.

2.3 CORPORATE GOVERNANCE SYSTEMS IN NIGERIA, EAST AFRICA AND SOUTH AFRICA.

Corporate governance is a relatively new area of study, especially in developing economies, and is currently attracting increasing interest among a wide spectrum of groups such as government, industry operators, directors, investors, shareholders and academicians (Inyanga, 2009:5). The evolution of corporate governance in Africa is still in its infancy compared to literature available in developed economies. Most of what is currently available in Africa are corporate governance codes of different countries which were influenced by the OECD principles of corporate governance (1999, 2004); the Commonwealth Association for Corporate Governance (CACG) (1999) and King reports of corporate governance in South Africa (Inyang, 2009:7).

Corporate failures and financial scandals around the globe gave impetus to the development of good corporate governance and information disclosure systems in the emerging economies of Africa. In Sub-Saharan Africa, corporate governance has become a topical issue in a bid to promote economic growth and investment. The developments and implementation of corporate governance structures in selected countries in Sub-Saharan Africa included in this study are given below.

2.3.1 Corporate governance system in Nigeria

The provenance of corporate governance systems in Nigeria which covers issues related to regulation, control and governance of corporate entities can be traced to the Companies and Allied Matters Act (CAMA) 1990 which replaced the Companies Act of 1968 (Inyang, 2009:8). This legal framework originates from British colonial legislation. The development of a corporate governance system in Nigeria evolved from the operations of the Nigeria Securities and Exchange Commission (SEC). In 2001, the Commission set up a committee that developed a governance code of best practices for public companies in Nigeria, which was adopted in 2003.The code was aimed at ensuring that managers of and investors in companies carry out their duties within a framework of accountability, corporate disclosure and transparency. It focused on the responsibilities and functions of the board of directors, audit committees and rights and privileges of shareholders.

In 2006, the Central Bank of Nigeria established another code of corporate governance, this time for banks (Ayodele, 2011:43). The code prescribed measures for mitigating weaknesses that that had been observed in 25 mega banks that emerged from the banking industry consolidation exercise of 2005. Ayodele (2011:46) further reported that while laws and corporate governance codes exist in Nigeria, the major challenge lies in the weakened, inefficient and inadequate legal and regulatory frameworks for the enforcement and monitoring of compliance.

2.3.2 Corporate governance system in East Africa

The corporate governance regime in Uganda developed through the formulation of the relevant laws and requirements established by various regulatory and supervisory authorities such as ICGU, USE the Uganda Securities exchange (USE), Uganda Capital Market Authority (UCMA) and the Institute of Certified Public Accountants of Uganda (ICPAU) (Wanyama et al., 2009:162). In 2003, the UCMA developed corporate governance guidelines for capital markets as a minimum standard for good corporate governance practices by public companies and issuers of corporate debt in Uganda. This was in response to the growing importance of governance issues in developing economies and aimed at promoting domestic and regional capital market growth. It was also in recognition of good governance in capital formation and maximization of shareholders' value as well as protection of investors' rights. The UCMA also supported the development of a code of best practices for corporate governance issued by the ICGU in Uganda in 2001, with the objective of strengthening corporate governance practices by listed companies and promoting standards of self-regulation so as to bring the level of governance in line with international practices.

In Kenya, the Capital Market Authority developed guidelines on corporate governance practices by listed companies in 2002. This was in response to the growing importance of governance issues both in the emerging and developing economies, and the need to promote growth in domestic and regional capital markets. According to the Kenyan Capital Markets Act (CAP. 485A:4), the Authority also supported the development of a code of best practice for corporate governance issued by the Kenya Private Sector Corporate Governance Trust. The objective of the guidelines is to strengthen corporate governance practices by listed companies in Kenya and to promote the standards of regulation so as to align the level of corporate governance with international trends.

2.3.3 Corporate governance system in South Africa

In 1994, the first King report on corporate governance was published as the first corporate governance code of South Africa. It established recommended standards of conduct for boards and directors of listed companies, banks and certain state-owned enterprises. In 2002, the King III report was published with a revised code of corporate governance covering the responsibility of directors, risk management, internal audit, integrated sustainability reporting, accounting and auditing. The code co-existed with a number of laws which applied to companies and directors, including the Companies Act, and regulations such as Johannesburg Securities Exchange listing requirements.

In 2009, the King III Report was published and became applicable in March 2010. It recommended that organizations produce an integrated report instead of an annual financial report and a separate sustainability report. The report incorporated a number of global emerging governance trends such as alternative dispute resolution, risk-based internal audit, shareholders' approval of non-executive director remuneration and evaluation of board and directors' performance. The report also included new principles to address elements not previously included in the King reports, such as governance of information technology and fundamental and affected transactions in terms of directors' responsibilities during mergers, acquisitions and amalgamations. It explains the governance regime as follows:

- That in the USA, the application of corporate governance was guided by the Sarbanes-Oxley Act based on "comply or else" basis. It forced all companies to comply with Governance Codes and made no provision for extraordinary circumstances.
- The "comply or explain" basis which was used for corporate governance codes in the Commonwealth, South Africa, Britain, and the European Union allows corporate boards to explain why it is not appropriate for them to adopt a corporate governance measure.
- The United Nations governance code resulted in a new code based on the "adopt or explain" principle basis.

The King III Report is based on "apply or explain" principle, which enables companies to operate according to their objectives, without being bound to follow standards which are, by nature, inflexible.

On corporate disclosure, Principle 1.13 of the King III Report states that the corporate board should ensure that the company makes full and timely disclosure of material matters concerning the company. The report indicates that:

- Effective communication should be maintained with stakeholders.
- Formal contact with stakeholders is possible through the integrated report.
- The board should provide a commentary on the company's financial results to enable an investor assess the company's economic value.

- The board should disclose if the company is a going concern.

The report further indicates that companies should seek to inform and generate accurate and positive media coverage, communicate with existing and potential investors and ensure clear and transparent disclosure at all times. Corporate disclosure is therefore a good tenet of financial reporting which is an objective of the accounting conceptual framework developed by the Internal Accounting Standards Boards (IASB).

According to Andreasson (2011:656) South Africa's approach to corporate governance fits in the traditional Anglo-American model which includes the following:

- A single tiered board structure where only shareholders are represented.
- An active stock exchange that is a leader among emerging markets and ensures that financial markets play a dominant role.
- A general commitment to a market-driven economic policy in which industrial policy plays a lesser role manifested in Government's Growth, Employment and Redistribution (GEAR) macroeconomic policy framework.

In conclusion, the developments show that corporate governance and disclosure regulations in South Africa are stronger than governance regulations in East Africa and Nigeria. The presentation of the King I, II and III reports in South Africa made suggestions to strengthen, corporate governance systems with a view to enhancing the process of financial reporting, disclosure of information, and transparency.

2.4: THE CONCEPTUAL FRAMEWORK AND OBJECTIVES OF FINANCIAL REPORTING AND CORPORATE DISCLOSURE

A conceptual framework is defined as a network of linked concepts that provides a detailed understanding of a phenomenon (Jabareen, 2009:57). Conceptual frameworks are not just collections of concepts, but constructs and variables where each concept plays an integral role. According to Kabalski (2009:97), a conceptual framework in accounting constitutes an internally consistent system of concepts directly relating to the objectives of financial reporting. The objective of general purpose financial reporting in both developing and developed economies is to provide information that is useful for capital providers as they make decisions. Capital providers include equity investors, lenders and other creditors who include employees whose payment is deferred (sometimes for many years), suppliers providing goods on credit, or buyers making prepayments for goods or services to be supplied in future (Kabalski, 2009:101).

Financial reporting information is disseminated to stakeholders through disclosure. Disclosure is known as one of the fundamental principles of financial reporting systems and has become a tenet of any corporate governance system (Wan and Zunaidah, 2010:216). Disclosure of information is a broad concept to the extent that it reveals not only the financial and operational practices of a company, but also focuses on managerial incentives and discretions to report relevant information (Omran and Abdelrazik, 2013:95). Therefore, for shareholders and other stakeholders to make investment decisions about the company, effective and transparent disclosure should be made.

The purpose of disclosure of corporate information which is made through financial reporting is to eliminate the problem of information asymmetry which is worsened by the fact that it is inherent in the relationship described by the agency theory where the agent's decisions are not always consistent with the principal's interests (Kabalski, 2009:98). This study focuses on corporate disclosure as a variable used for reporting both financial and non-financial information to stakeholders. Disclosure is important for both developing and developed economies and therefore, the importance of disclosing accurate information covers all the areas under study in the same way.

2.5 CORPORATE DISCLOSURE

Corporate disclosure is an accounting principle which provides that all information associated to firm's activities must be provided to different user groups properly and in a timely manner (Habibi and Shamsi, 2015:202). It is a channel through which existing and potential shareholders of a company obtain valuable information (Omran and Abdelrazik, 2013:95). Corporate disclosure is an external control mechanism aimed at reducing agency conflicts between insiders and outside shareholders or lenders through the provision of information on financial and non-financial results (Patelli and Prencipe, 2007:10). Hence, corporate disclosure deals with reporting items in annual reports that are relevant and material to the decision-making process of users. The main role of disclosure is to reduce information asymmetry by requiring corporate managers to reveal all the information that affects investment decisions (Meser et al., 2015:257). If an item of information is relevant and material and is not disclosed in company annual reports, then the decision-making process by the users of corporate annual reports is likely to be sub-optimal

(Bilal and Jon, 2011:166). Shareholders, for instance, will not have a good basis for making a decision to invest in a company or not.

In listed companies, information is mainly disclosed using annual, interim and quarterly reports, company websites, prospectuses, employee reports and announcements made to Capital Market Authorities and Security Exchanges. According to Isabel et al. (2011:473) disclosing corporate information offers the following advantages:

- It is useful in the decision-making process and serves as a control system by shareholders over managerial activities. This is in line with the agency theory perspective which focuses on resolving agency conflicts between shareholders and corporate management (Jensen and Meckling, 1976:313).

- Information disclosed is regarded as a signal to capital markets to decrease information asymmetries, which is in line with the signaling theory.

- Information disclosure is associated with improvement in corporate image, increase in investor confidence and trust, and greater stock liquidity.

However, Isabel et al. (2011:474) assert that production and disclosure of information may lead to disadvantages that sometimes outweigh the benefits. This is because disclosure involves direct costs related to processing, collection and information dissemination. Therefore, there should be a strong justification as to why companies should find it necessary to produce and disclose information.

Furthermore, whether financial or non-financial information included in company annual reports is either voluntary or mandatory. Voluntary disclosure is the information in excess of mandatory disclosure (Kun eta al., 2008:14). It is the information available to stakeholders at the discretion of the company management while for mandatory disclosure, information requirements are laid down by statute, professional regulations and listing requirements of stock exchanges. In case of non-compliance, companies would face the cost of de-listing from the security exchange (Omaima et al., 2009:84). Also, for voluntary disclosure, corporate managers make discretionary disclosure for information content they deem important to attract investors and other interested stakeholders to their companies (Ioannis et al., 2013:3). However, both mandatory and voluntary disclosures are vital in explaining the quantity and quality of corporate disclosure and therefore, the two should not be seen as separate elements of financial reporting (Bilal and Jon, 2011:167). Poh and Grantley (2013:9) and Rouf (2011:7844) categorize corporate information disclosure as corporate and strategic information, financial and capital market information, director and senior management information, information on forward looking and future financial forecasts and CSR information.

Therefore, Information disclosed by corporate entities can broadly be classified as financial and non-financial information where the later includes information on governance and CSR (Wen, Philomena and Barry, 2013:262). Financial information includes segment information, financial review and ratio analysis, foreign currency information, and stock price information. The importance of disclosure of financial information is to reduce information asymmetries which are likely to create transfer of wealth from owners to managers, leading current and potential investors to discount share prices (Bhasin and Shaikh, 2013:85). Hence, effective corporate governance is fundamental in overseeing the financial reporting and disclosure processes to preserve investors' confidence in capital markets (Jui-Chin and Huey-Lian, 2010:215). Disclosure of financial information with a focus on key items displayed in the income statement and balance sheet provides an objective measure of disclosure (Overfelt et al., 2010:15). Corporate governance, together with the requirements of financial reporting standards, seeks to create a safe environment for stakeholders through transparency and financial disclosure thus making information on company actions, decisions and existing conditions, accessible, visible and understandable to all market participants (Vera, 2013:212).

For non-financial information, disclosure of governance information addresses elements that are associated with the governance structure of a company such as general corporate information including organization mission and vision, corporate strategy, directors, and employees (Meser et al., 2015:263). On the other hand, CSR disclosure provides information regarding product and service provision to the society, and involvement in community projects, including philanthropic activities and environmental matters (Elinda and Nazli, 2012:293). Corporate social disclosure refers to the disclosure of information about a company's interaction with the society; such activities have an effect on employee related activities, involvement in community social activities and environmental issues (Parvez and Abdullah, 2011:175). Reporting CSR information is vital because it is associated with an ample spectrum of relations in the corporation and its various stakeholders as well as the environment (Vicente et al., 2011:296). Thus, strong corporate governance may be necessary for sustainable CSR activities (Shin et al., 2015:4). For this study, corporate disclosure focuses on disclosure of financial, governance and CSR information. Evidence from both developed and developing countries indicates that corporate social disclosure is receiving a lot of attention from corporations and stakeholders (Parvez and Abdullah, 2011:175).

2.6 CORPORATE GOVERNANCE ATTRIBUTES AND CORPORATE DISCLOSURE

Corporate governance has many benefits to developing economies. It helps them to realize high and sustainable rates of growth, increase confidence in national economies and strengthen capital market operations. It provides mechanisms that are considered key factors responsible for enhancing corporate disclosure and diffuses agency conflicts based on agency theory perspectives (Samah, Dahawy, Hussainey and Stapleton, 2012:169). Information disclosure is integral to corporate governance and is a key tool for protecting shareholders' interests by reducing information asymmetry and making management accountable to shareholders (Htay, 2012:3). Poh and Grantley (2013:5) assert that the common tenet in all governance systems is the mechanism to facilitate control of management and achievement of maximization of value. Therefore, given the role of corporate governance in monitoring company operations; companies with good governance systems are likely to cause management to disclose more corporate information.

The foundation of any system of good corporate governance is the disclosure of all corporate information (Herath and Freeman, 2012:91). Although literature shows that corporate governance strongly affects voluntary disclosure, it is difficult to point out corporate governance factors that highly affect corporate information disclosure (Hongxia and Ainian, 2008:361). Lack of good governance systems lead to poor disclosure and corporate failures. Furthermore, the demand for corporate disclosure and financial reporting increases day by day due to agency conflicts and information asymmetry between managers and investors (Nandi and Ghosh, 2012:46). One major feature of corporate disclosure is that a firm will generally provide information to enable the society; investors and suppliers make specific decisions (Rouf, 2011:7837). However, the decision to disclose or not to disclose certain information is influenced by a variety of corporate governance attributes such as the presence of independent non-executive directors, audit committees, board leadership structure and board size. Different governance attributes have been identified and the literature on the association between the attributes and corporate disclosure is given below.

2.6.1 CEO Non-duality

CEO non-duality occurs when the positions of CEO and chairman board of directors are not combined and are thus held by different persons. Separation of roles of the CEO from those of the chairman board of directors provides checks and balances on managerial behaviour and results in the effective monitoring of managerial opportunistic activities (Jing et al., 2008:141). This will therefore make the board chairman more independent, with the ability to effectively direct and control management activities to ensure that shareholders' interests are well protected.

However, in the event that the roles of CEO and board chairman are combined (CEO duality), the chairs of the boards of directors who are also the CEOs are likely to have the ability to set the board's agenda and hide information more easily from others, especially the non-executive directors (Jiz et al., 2014:604). Therefore, the combination of the two positions (CEO duality) is of great concern in corporate governance because it creates a strong power base which could erode the board’s ability to exercise effective control (Roshima et al., 2009:215). CEO duality signals the absence of separation between decision control and management. It creates power concentration which reduces the effectiveness of board monitoring and leads to lack of transparency and high information asymmetry (Allegrin, 2013:194). Companies with CEO duality are therefore likely to be associated with poor levels of corporate disclosure.

According to Cerbioni and Parbonetti (2007:801), one of the board’s vital roles is to monitor top management’s performance and therefore allowing the CEO to also serve as board chairperson is likely to compromise the desired system of checks and balances which will create a conflict of interest. This is also likely to constrain board independence and reduce the possibility of the board executing its oversight role well. It also makes it difficult for insecure directors to be honest when evaluating the performance of the company. Jing et al. (2008:141) stress that restricting decision -making power to a CEO who is also a board chairperson impairs not only the board oversight and governance roles, but also affects corporate disclosure policies and transparency; while Donnelly and Mulcahy (2008:419) indicate that shareholder activists and corporate regulators normally advocate for the separation of the roles of CEO and board chairperson to help maintain impartiality in corporate activities, reduce agency costs and improve corporate performance, disclosure, and transparency.

According to Barako et al. (2006:111), the agency theory does not support CEO duality in corporate governance. Separating the CEO and board chairperson positions is aimed at having, as board chairperson, a lead independent (outside) director selected from outside independent board members who will effectively monitor the activities of management (Hoskisson et al., 2009:60). The lead independent director would then serve as a liaison between management and other external directors who will no longer have direct contact with the CEO. This helps in not only carrying out an independent evaluation of the performance of the CEO, but also protects him from unnecessary distraction and influencing the board.

Empirical studies that examined the relationship between CEO non-duality and corporate disclosure have shown mixed results. Rouf (2011:7841) examined the relationship between governance attributes and voluntary disclosure on a sample of 120 listed non-financial companies on the Dhaka stock exchanges in Bangladesh in 2007. The findings indicate that corporate voluntary disclosure is higher in firms where the roles of CEO and board chairperson are separate. Nandi and Ghosh (2012:55) studied the association between corporate governance attributes and corporate disclosure of 60 listed firms on the Bombay stock exchange in India. The study covered the period 2000/2001 to 2009/2010 and findings also indicate that the level of corporate disclosure is higher where the roles of the CEO are separated from those of the board chairperson.

However, in contrast to the above findings, Allegrini and Greco (2013:214) investigated the interplay between governance and disclosure in an agency setting from a sample of 177 non-financial firms listed on the Italian stock exchange in 2007. The findings revealed a significant negative correlation between CEO non-duality and corporate disclosure. These results are also in line with studies carried out by Samaha et al. (2012:174) who used a sample of 100 companies listed on the Egyptian stock exchange in 2009 to study the extent of corporate governance disclosure and its determinants.

Contrary to the above findings, Cheng and Courtenay (2006:286) studied board composition, regulatory regime and voluntary disclosure on a sample of 104 listed firms on the Singapore stock exchange in 2000. The results revealed no association between CEO duality and the level of corporate disclosure. Also Donnelly and Mulcahy (2008:424) examined the correlation between board structure, ownership and voluntary disclosure on 51 listed companies on the Irish stock exchange for the year 2002. The findings revealed a weak insignificant relation between CEO duality and voluntary disclosure.

In conclusion, although empirical evidence provides mixed findings, the agency theory recommends the separation of the CEO and board chairperson’s roles. For instance, according to Fama and Jensen (1983:304) individual agents should not exercise exclusive management and control rights over the same decision. Principle 1.18 of the King III Report (2009:12) states that corporate boards should be led by an independent non-executive chairman who should not be the

CEO of the company. According to the same report, the board chairman should be able to provide overall corporate leadership, act as a link between the board and management and also be able to meet the CEO prior to board meetings to discuss important issues. This cannot happen if the roles are not separated.

2.6.2 Board size

Board size refers to the total number of members on the board of directors. Prior literature argues that board size influences corporate information disclosure, which is one of the strategic decisions made by the board of directors. Board size is important corporate governance attribute with a positive influence on the level of corporate financial disclosure (Akhtaruddin et al., 2009:15). According to Damagum and Chima (2013:4), corporate governance codes recommend that the size of corporate boards should be between 5 and 16, depending on the size and diversification of the company. Data from various data sources indicates that the average size of boards of directors varies from four for South Africa to 12 in Botswana and Namibia (Okeahalam, 2004:362). Nandi and Ghosh (2012:47) assert that large boards are better for corporate performance and disclosure because they have a wide range of professionals with collective experience and expertise which could help in making better corporate decisions. This view is supported by Samaha et al. (2012:170) who argue that large boards lead to an increase in diverse financial reporting expertise, higher disclosure quality and are likely to voluntarily disclose more information in their annual reports and websites. In addition, each member of the board of directors brings a collection of unique and different experiences, attachments and points of view to the board (Okeahalam, 2004:362). Hence, a large board is likely to reduce the occurrence of information asymmetries and promote value creation and corporate disclosure. Therefore, it is expected that companies with a large board size will have directors with diverse experience and expertise who are able to influence company operations and enhance disclosure of all corporate information to shareholders and other stakeholders.

Contrary to the above view, Ujunwa (2012:661) reports that a large board size has been criticized for increasing cost and boardroom squabbles and being, therefore, not effective in exerting influence on the disclosure of corporate information. The argument is supported by Stefanescu (2013:131) who states that large boards are less effective in reducing agency conflicts compared to smaller ones because they are slow in reacting to decisions that require immediate action.

The empirical results of various studies on the effect of board size on corporate disclosure are mixed. Harford (2008:540) argues that smaller boards are more efficient in decision-making. It is argued that directors serving on small boards can easily communicate to each other and play an effective role in improving corporate transparency through corporate internet reporting and disclosure (Botti et al., 2013:11). However in contrast, Harris and Raviv (2006:1799) contend that larger boards are better because they provide optimal monitoring and therefore prevent corporate managers from achieving their selfish interests; besides, they increase the value of the firm. This is possible because larger boards bring a wide range of independent expertise and professional skills to the company's decision-making process. Roshima et al. (2009:215) indicate that board size effects increase communication and co-ordination problems, reduce the ability of the board to control management, and lead to poor decision-making. Ineffective coordination and communication leads to the low quality of corporate disclosure because of the failure by the board to carry out its roles efficiently.

According to Soliman and Ragab (2013:6) board size is an indicator of diversity in both monitoring and advisory roles and larger boards are more likely to have more independent directors with valuable experience and hence, they are able to delegate more responsibilities to board committees than smaller boards. However, Haslindar and Fazilar (2011:1802) argue that because of cohesion needed in corporate strategy and decision-making, a small board size is better and could be regarded as a good and superior corporate governance mechanism for firms to improve performance, financial reporting and disclosure.

A study by Kent and Stewart (2008:665) examined the link between corporate governance and disclosure on transition to International Financial Reporting Standards (IFRS). This was done on a sample of 956 listed companies on the Australian Securities Exchange. The findings revealed a significant positive relationship between large boards and the level of corporate disclosure. Also Ntim et al. (2012:137) studied voluntary corporate governance disclosures by post-Apartheid South African corporations on a sample of 291 non-financial companies listed on the Johannesburg Securities Exchange for the period 2002-2006. The findings revealed a positive relationship between board size and corporate disclosure of governance information. Akhtaruddin et al. (2009:10) examined corporate governance and voluntary disclosure in the annual reports of 105 Malaysian listed companies. Findings revealed a significant positive association between board size and voluntary disclosure, which suggest that firms with larger boards disclose more voluntary information than companies with smaller boards.

Contrary to the above findings, some studies have indicated that small boards are more efficient and effective and therefore have a positive influence on information disclosure. For instance, Htay et al. (2012:212) examined the impact of corporate governance on social and environmental information disclosure of 12 listed Malaysian banks between 1996 and 2005. The findings revealed that a smaller board size is associated with high information disclosure. Also Stefanescu (2013:137) investigated the relationship between the board of directors' features and level of disclosure for 189 listed banking institutions in the European Union for the year 2011. Findings indicated that board size is not associated with the level of mandatory disclosure.

The above empirical results show that studies on the association between board size and corporate disclosure have not produced conclusive results. For instance, research studies by Ntim et al. (2012:138); Allegrin (2013:206); Rouf (2011:7841) and Donnelly and Mulcahy (2008:424) revealed a positive association between large board size and voluntary disclosure, while Samaha et al. (2012:170) and Cheng and Courtenay (2006:266) found no significant association between board size and corporate disclosure. Therefore, this justifies the need to carry out more studies on the effectiveness of board size as an attribute of corporate governance on corporate disclosure in developing economies with the target of obtaining conclusive results.

2.6.3 Board composition

Board composition refers to the constitution of the board of directors of a company with both executive and non-executive directors. Donnelly and Mulcahy (2008:418) stress that boards of directors comprise individuals drawn from top management and others from outside the company Non-executive directors may be independent or not. Independent non-executive directors have no relationship with management or the company while non-executive directors who are not independent may have some affiliation to the management of the company either through family or business relations (Cheng and Courtenay, 2006:264). What is important is that independent or not, non-executive directors are not involved in the direct day-to-day operations of a company.

The effectiveness of corporate governance in reducing agency problems between corporate managers and investors significantly depends on board composition (Akhtaruddin et al., 2009:5).

The independence of board composition is measured as the proportion of non-executive directors on the board and this indirectly reflects the way corporate boards monitor the company's activities (Aboagye et al., 2012:146). It is presumed that boards with independent directors will make better and more objective corporate decisions. The purpose of board composition is to identify the proportion of non-executive directors on the board and assess its impact on the quality of disclosure made through financial reports (Nandi and Ghosh, 2012:48).

Corporate boards are regarded as internal control mechanisms intended to carry out decisions on behalf of shareholders and ensure that management behavior is consistent with shareholders' interests (Jing et al., 2008:140). Emma and Juan (2010:608) assert that the board of directors has a fiduciary obligation to shareholders and is responsible for providing corporate strategic direction and monitoring.

The presence of independent directors on the board is, therefore, pivotal since they contribute their experience to the firm and protect its overall interests against potential opportunistic behavior that benefits only a narrow constituency of shareholders (Barros, et al., 2013:564).

Companies with a strong reputation for transparency because of their high level of information disclosure have a strong incentive to defend this reputation by introducing a high number of independent directors on the board (Patelli and Prencipe, 2007:12) who will ensure effective monitoring.

Non-executive directors are in a better position to monitor management because their own value in human capital depends on the performance of the firm on whose boards they sit. This implies that for effective decision-making, corporate boards should be empowered to act independently from management. Unlike insiders and affiliated directors whose career and personal interests are tied to corporate management, external directors need to be free from personal conflicts of interest and be able to exercise independent, professional and objective judgments whenever there are disagreements with management on corporate operations (Indrarini, 2008:1150).

The effectiveness of the board can be limited if its members are at the same time managers of the company. Lim et al. (2007:559) assert that corporate boards engage the services of independent and expert directors with majority representation to separate management and control functions. However, Rouf (2011:7838) notes that empirical evidence on the importance of non-executive directors on the board has been mixed. He states that whereas outside directors are expected to be more effective than those inside in maximizing shareholders' wealth, inside directors are believed to contribute more to a company than external directors because of their operational-firm specific knowledge, skills, and expertise. It is also argued that although executive directors have specialized skills, expertise, knowledge and experience of the firm's operations, there is a need for independent persons to contribute fresh ideas, objectivity and expertise gained from their fields (Htay et al., 2013:123). Furthermore, Huafang and Jianguo (2007:614) carried out a study on board composition and corporate voluntary disclosure on a sample of 559 firm observations for listed companies on the Shanghai Stock Exchange in China. Results indicated that the percentage of independent directors on the board is significant and positively associated with corporate voluntary disclosure. This is similar to studies carried out by Emma and Juan (2010:621) whose findings suggest that higher independence in corporate boards of directors is associated with higher firm voluntary disclosure. Barako (2007:124) investigated determinants of voluntary disclosures in Kenyan companies annual reports for a sample of 43 firms listed on the Nairobi Stock Exchange for the period 1992-2001. It was found out that although board composition was positively and significantly related to disclosure of financial and forward looking information, it was significantly and negatively associated with disclosure of general and strategic information.

Nandi and Ghosh (2012:55) investigated the association between corporate governance attributes and the level of corporate disclosure on a sample of 60 firms listed on the Bombay Stock Exchange in India for the period 2000/2001 to 2009/2010. The findings revealed a negative relationship between board composition and the level of corporate disclosure in all the years except for 2002/2003, 2007/2008, and 2009/2010. The results suggest that companies with a higher ratio of non-executive directors disclose less information. Furthermore, Ezat and El-marsy (2008:861) examined the influence of corporate governance variables on the timeliness of corporate internet reporting by 50 Egyptian listed companies on the Cairo and Alexandria stock exchanges at the end of 2006. The results indicated that board composition has a significant negative relationship with corporate disclosure of future financial events and updating of financial information on company websites.

Therefore, extensive literature review reveals that empirical studies on the association between a higher ratio of independent non-executive directors and corporate disclosure have produced inconclusive results. Hence, there is a need for further studies on the effectiveness of non-executive directors on corporate boards in influencing disclosure of both financial and non-financial information. Studies carried out by Nandi and Ghosh (2012:56); Hafang and Jianguo (2007:612); Ali-Janadi et al. (2013:31); Arcay and Vazquez (2005:303); Donnelly and Mulcahy (2008:424); Samah et al. (2012:170) and Htay (2012:11) found a positive association between the higher proportion of independent non-executive directors and corporate disclosure. On the contrary, studies by Barako et al., (2006:122) and Eng and Mak (2003:340) found a negative association between the proportion of outside directors and corporate disclosure. Research findings by Allegrini and Greco (2013:206); Khodadadi et al. (2010:161) and Nazli and Pauline (2006:242) found no significant relationship between the two variables.

In conclusion, irrespective of existing mixed empirical evidence, the agency theory recommends involvement of non-executive directors to promote board independence from management. According to Chaung and Leung (2006:13), boards with a higher composition of non-executive directors could result in effective board monitoring and exert a lot of influence on managerial decision-making and corporate disclosure.

2.6.4 Composition of audit committees

Audit committees are a monitoring mechanism formed in high agency cost situations to improve the quality of information flow between principals and agents and play a complementary role in enhancing corporate information disclosure (Samaha et al., 2012:171). The monitoring of corporate activities by audit committees is enhanced if the independence of the committee is increased by the appointment of more non-executive directors (Nurul and Sherliza, 2011:292). Nandi and Ghosh (2012:48) suggest that effective and independent audit committees enhance financial reporting and disclosure quality by fulfilling various responsibilities such as the implementation of appropriate accounting policies, review of accounts and financial statements, and ensuring that the internal controls in place are sufficient.

The independence of audit committees helps to reduce information asymmetry between controlling shareholders and other corporate investors (Woidtke and Yeh, 2013:2). Independent audit committees allow accurate assessment of top management decisions and performance to ensure objective disclosure of information is made (Allegrini and Greco, 2013:195).

Won et al. (2011:625) argue that companies with independent audit committees are less likely to manipulate earnings and more likely to voluntarily disclose all financial and non-financial information. However, they further indicate that ~~a~~ the mere presence of ~~the~~ audit committees may not necessarily translate into better financial reporting quality. Nurul and Sherliza (2011:292) assert that the role of an audit committee is to safeguard an organization through its authority to question corporate management regarding the way financial reporting and disclosure responsibilities are handled as well as making sure that where necessary, corrective actions are taken. Large audit committees also help in discovering and resolving financial reporting and disclosure problems because the increase in size of the committee brings on board more skills and expertise, hence improving the quality of oversight.

The agency theory suggests that the independent members of the audit committee can help shareholders to monitor the activities of corporate managers and hence increase the effectiveness and efficiency of corporate boards in monitoring financial reporting processes of the company (Aboagye et al., 2012:147)., The presence of non- executive members on audit committees is likely to help in the monitoring of managerial activities and hence, enhance corporate information disclosure.

Studies on the role of audit committees in enhancing corporate disclosure have produced mixed results. For instance, Jing et al. (2012:146) examined the effect of audit committee characteristics on intellectual capital disclosure for 100 listed firms on the London Stock Exchange at the end of

2005. Whereas results indicate a significant and positive relationship between the size of the audit committee and intellectual capital disclosure, the association between audit committee independence and intellectual capital disclosure was not significant. Aboagye et al. (2012:157) investigated the interrelationship between corporate governance and disclosure practices of Ghanaian listed companies and established that there was no association between the composition of the audit committee and the level of corporate disclosure.

2.6.5 Ownership structure

Ownership structure is one of the corporate governance characteristics that influence corporate disclosure (Barako et al., 2006:111). Laivi (2009:15) and Donnelly and Mulachy (2008:420), categorize types of ownership structure as ownership concentration, government ownership, foreign ownership, institutional ownership and managerial/director ownership. A research study by Barako (2007:116) on the Nairobi Securities Exchange identified concentrated (block shareholder), foreign, institutional and director ownership as possible types of ownership structures that could influence the corporate disclosure of listed companies. This study focused on concentrated (block) ownership of shares and director ownership structures because data on other types of ownership structure cannot easily be established, especially for listed firms in East Africa and Nigeria.

a. **Concentrated (block shareholder) ownership**

Concentrated share ownership is a percentage of shares held by substantial shareholders; that is, shareholdings of 5% or more (Huafang and Jianguo, 2007:607). Ownership concentration can also be measured by the proportion of shares held by the top five shareholders (Poh and Grantley, 2013:14). If a company's ownership structure is not concentrated, then it is widely held or dispersed. In such cases, company shares will not be held in the hands of a few large shareholders, but rather, spread to a number of investors (Nazli, 2007:255).In such a company, corporate disclosure is used as a control and monitoring tool for reducing agency conflicts between shareholders and managers (Jensen and Meckling, 1976:308).

According to Ezat and El-Masry (2008:853), companies with a share ownership structure that is diffuse or spread (widely held), tend to disclose more information to shareholders than those with a concentrated ownership structure. However, Adawi and Rwegasira (2012:246) argue that controlling shareholders in a company normally have a strong incentive to monitor management actions and therefore, concentrated share ownership is an influential attribute of corporate governance that ultimately results into increase in corporate information disclosure. This argument is supported by Ashbaugh-Skaife, Collins and LaFond (2006:209) who state that block shareholders and active institutional shareholders lead to more efficiency in monitoring of management and less managerial opportunistic behavior which benefits all corporate stakeholders. Contrary to this, Poh and Grantley (2013:14) stress that firms with a concentrated ownership structure are expected to disclose less information and those with diffused ownership will disclose more information to reduce agency costs and information asymmetry in line with the agency theory.

The effect of block shareholder ownership on corporate disclosure may be twofold. With controlling power, block shareholders may manipulate disclosure levels to maximize their interests (Haiyan and Ahsan, 2009:276). On the other hand, they may also serve as effective monitors by encouraging corporate managers to provide timely and credible disclosure. The potential for agency conflicts is higher in companies with lower ownership concentration because of conflicting interests between contracting parties (Ferreira et al., 2012:282). Such companies have a large number of shareholders that are not directly involved in the day-to-day operations and management of the company and consequently, agency costs may arise due to information asymmetry between shareholders and management. Basing on agency theory, potential conflict in interests between management and shareholders is higher in companies with dispersed ownership structure (widely held companies) because investors with a small percentage of shares have little power to influence management decisions (Desoky and Mousa, 2012:54). Therefore, it is expected that companies with more dispersed share ownership will disclose more information than companies with more concentrated share ownership.

Empirical studies that have analyzed the association between concentrated ownership structure and corporate disclosure have not produced conclusive findings. For example, Haiyan and Ahsan (2009:290) carried out a study on the impact of different types of ownership concentration on annual report voluntary disclosures. It applied a panel data regression analysis on 119 listed companies on the New Zealand Stock Exchange and New Zealand Alternative Exchange for the period 2001-2005. The findings revealed a significant positive relationship between block shareholder ownership and the level of corporate disclosure.

Similary, Poh and Grantley (2013:15) examined the association between corporate governance and different types of voluntary disclosure on a sample of 100 Malaysian listed firms for the period 1996-2006. The study revealed that concentrated ownership structure (block shareholding) is significantly and positively associated with disclosure of information related to financial, capital market data and CSR. Their findings are also consistent with studies carried out by Zourarakis (2009:99) and Huafang and Jianguo (2007:619), whose findings revealed a significant positive relationship between concentrated ownership structure and increased disclosure of corporate information.

However, contrary to the above findings, Laivi (2009:27) investigated the association between ownership structure and Public Announcements' disclosure on a sample of 52 listed companies on three European developing stock exchanges in the Baltic States— Estonia, Latvia and Lithuania — for the period 2001-2005. The findings revealed a significant negative association between ownership concentration and quality of public announcements information disclosure. Studies by Htay et al. (2012:202) also revealed a significant association between lower block shareholder ownership and higher information disclosure. This implies that companies with higher concentrated share ownership disclose less information.

The findings are consistent with studies by Ntim et al. (2012:219); Tsamenyi et al. (2007:329); Ezat and El-Masry (2008:859) and Samaha et al. (2012:174) which revealed a negative association between ownership concentration and corporate disclosure. However, findings by

Mohamed (2012:60) on the determinants of corporate voluntary disclosures from a sample of Tunisian listed firms revealed that diffused ownership (lower ownership concentration) is not associated with the level of voluntary disclosure.

In conclusion, according to Kang and Gray (2011:406), the agency and stakeholder theories suggest that a company with low concentration of ownership indicates the existence of a more diverse group of stakeholders and subsequently, the company has more incentives to disclose information to respond to the different perspectives of stakeholders. Therefore, companies with a highly concentrated share ownership are expected to disclose less information compared to companies where share ownership is highly spread.

b. Director ownership

Director ownership describes the shareholding of directors and senior managers in the company. Companies where directors hold a significant number of shares are described as closely held or owner managed. In such companies, public accountability may be limited because of the minimal interests of outside shareholders (Nazli, 2007:255). Nazli et al. (2006:231) and Jensen and Meckling (1976:313) argue that director ownership can help reduce agency costs because a manager who owns a significant number of company shares bears consequences and also enjoys the benefits of managerial actions that deplete or increase company value. They add that a manager who owns a small proportion of company shares has greater incentives to pursue his own interests and less incentive to maximize job performance. In this case, outside shareholders who own the majority of company shares will need to increase the monitoring of managerial behavior to reduce the associated increase in agency costs. This is done by demanding increased disclosure of corporate information.

According to Htay et al. (2012:200), directors who hold substantial numbers of shares in a company might not want to disclose information to the public because they could use their discretionary powers to spend corporate resources in a manner that serves their own interests at the expense of other shareholders. Accordingly, a negative correlation between director share ownership and corporate information disclosure will be expected. However, Laivi (2009:15) stresses that if senior directors have shareholdings in the company, then managerial interests in the company will be expected to be in line with those of other shareholders and therefore corporate managers will have less interest in hiding information from investors. This will lead to an increase in information disclosure. This argument is supported by Roshima et al. (2009:217) who state that agency theory predicts that the Principal-Agent conflict between managers and shareholders will arise when managers hold little equity in the company and this may encourage them to engage in undesired opportunistic behaviors. This implies that when managerial share ownership is increased, agency conflicts will reduce and corporate managers will be motivated to disclose more information to all investors.

Existing research studies on the association between director share ownership and corporate disclosure have not been conclusive. For instance, Hongxia and Ainian (2008:367) examined the impact of corporate governance on corporate disclosure in 100 non-financial Chinese listed firms for the period 2003-2005. The findings revealed a positive association between managerial ownership and voluntary disclosure. The results were consistent with studies carried out by Htay

(2012:17); Samaha et al. (2012:174); Huafang and Jianguo (2007:9) and Haiyan and Ahsan (2009:20), whose findings also revealed a positive relationship between managerial ownership and voluntary disclosure, suggesting that managerial share ownership gives corporate management a sense of ownership status and therefore, they will be free to disclose all the available information. Furthermore, disclosing corporate information is likely to improve the company's competiveness and build future investor confidence in stock market operations. However, contrary to the above findings, studies by Eng and Mak (2003:340) found a negative association between managerial share ownership and corporate disclosure, while the study findings by Donnelly and Mulcahy (2008:425) revealed no relationship between the two variables.

In conclusion, agency theory discourages increased managerial share ownership if companies are to effectively disclose information to all interested stakeholders. A reduction in managerial (director) ownership of shares implies that a company has more outside shareholders who put pressure on corporate managers to disclose more information than what is demanded by laws or regulations (Donnelly and Mulcahy, 2008:5). Therefore, it is expected that companies with a higher proportion of director ownership of shares disclose less information to the public.

2.7 CONTROL VARIABLES

For purposes of empirical analysis and the need to minimize the impact of other variables that may explain the relationship between corporate governance and information disclosure, three control variables were included in the regression models. Various empirical studies such as Rouf (2011:2); Akhtaruddin et al. (2009:7); Nandi and Ghosh (2012:49) and Jiang and Habib

(2009:291) have identified firm size, profitability and leverage as the main control variables that influence corporate disclosure.

2.7.1 Firm size

Firm size has persistently been found to be significantly and positively associated with corporate disclosure levels and therefore large firms are expected to follow better corporate disclosure practices (Nandi and Ghosh, 2012:47).

According to Desoky and Mousa (2012:55), large firms voluntarily disclose more information in annual reports to resolve agency conflicts and can always be in position to access and benefit from financial markets as long as they disclose all available information. Furthermore, large companies tend to have better internal management information systems as a result of their varied activities and are, therefore, able to disclose more information (Ferreira et al., 2012:282).

Managers of large companies are more likely to realize the possible benefits of better disclosure while small companies are more likely to feel that full information disclosure could endanger their competitive position (Rouf, 2011:7837). In addition, large firms tend to disclose more information because they are more exposed to public scrutiny and also possess sufficient resources for collecting, analyzing and presenting extensive amounts of data at minimal costs (Khalid, 2006:479). Large firms have been a focus of corporate disclosure studies because agency theorists suggest that agency problems and costs are higher in large firms due to diffuse ownership structure (Mohamed, Junaid, Poh-ling and Anbalagan, 2014:53).

2.7.2 Leverage

Ezat and Al-Marsy (2008:852) describe leverage as the use of financial resources such as debt and borrowed funds in a company to increase the return on equity. It is the ratio of total liabilities to total assets (Poh and Grantley; 2013:14). Managers of highly leveraged companies are expected to disclose more information to enable creditors evaluate the companies' ability to meet their financial obligations. Accordingly, agency theory posits that higher monitoring costs would be incurred by firms that are highly leveraged and to reduce this, firms are expected to disclose more information (Laivi, 2009:16; Desoky and Mousa, 2012:55; Akhtaruddin and Hasnah, 2010:73)

2.7.3 Profitability

According to signaling theory, profitable firms disclose more information in annual reports to differentiate them from poor performers (Nandi and Ghosh, 2012:49). The managers of these companies are motivated to disclose more financial information to support the continuance of their positions and remuneration and to signal institutional confidence (Rouf, 2011: 7837; Khalid, 2006:483).

While corporate managers are usually reluctant to give detailed information about non-profitable companies (Oluwaremi, 2014:184),, profitable companies will tend to disclose more information to show that they have achieved better performance so as to attract more investors.

Generally empirical results support the view that the above control factors influence corporate disclosure. For instance, research results by Ntim et al. (2012:138) and Samaha et al. (2012:174) revealed a positive association between firm size, profitability and corporate disclosure. Similarly, findings by Barako et al. (2006:122) and Huafang and Jianguo (2007:612) revealed a positive and significant association between firm size, leverage and voluntary disclosure. However, findings by Tsamenyi et al. (2007:328) revealed insignificant positive correlation between leverage and disclosure while Ali-Janadi et al. (2013:32) found an insignificant positive relationship between profitability and voluntary disclosure.

2.8 SUMMARY OF EXISTING STUDIES

From the literature review, several critical arguments have been raised about the effectiveness of corporate governance in influencing disclosure of financial, governance and CSR information. A summary of several empirical findings of the previous studies is therefore given in table 2.1, clearly presenting details of the author, year of publication, methods used and the findings.

Table 2.1: Summary of previous studies and findings

Author and year of publication	**Topic and country**	**Sample and country**	**Significant explanatory variables (effect on disclosure)**
Rouf (2011)	Corporate characteristics, governance attributes and the extent of voluntary disclosure in Bangladesh.	A sample of 120 listed non-financial companies in Daka Stock Exchanges (DSE) in 2007. The study used relative un-weighted disclosure index for measuring voluntary disclosure.	Board leadership structure (CEO non duality) has a positive effect Board size has a positive effect.
Nandi & Ghosh (2012)	Corporate governance attributes, firm characteristics and the level of corporate disclosure: Evidence from Indian listed firms.	A sample of 60 firms listed on Bombay Stock Exchange (BSE) for the period 2001-2009. Disclosure items were selected based on standard and poor (2008) model and un-weighted disclosure index was calculated.	Board size and CEO non-duality (Separation of roles of CEO and board chairperson) have a positive effect. Higher proportion of non-executive directors on the board has a negative

			effect.
Samaha, Dahawy, Hussainey, and Stapleton (2012)	The extent of corporate governance disclosure and its determinants in a developing market: The case of Egypt.	The study examines annual reports and websites of most active 100 Egyptian companies on the Egyptian stock exchange. Corporate governance disclosure data were measured using a content analysis technique.	CEO duality (a combination of the roles of chief executive officer and chairman board of directors) has a negative effect. Board size and director ownership have no effect. Higher proportion of non-executive directors of board of directors (positive effect). Block ownership of shares (negative effect).
Akhtaruddin, Hossain, Hossain, and Yao (2009)	Corporate Governance and Voluntary Disclosure in Corporate Annual Reports of Malaysian Listed Firms.	The study examines disclosure of 74 information items which were financial, non-financial as well as strategic in nature for Malaysian listed firms, using the un-weighted approach of scoring selected disclosure items.	Both board size and having a higher proportion of independent non-executive directors on the board have a positive significant effect on corporate disclosure.
Htay,Majdi, Akhyar, and Meera (2012)	Impact of Corporate Governance on Social and Environmental Information Disclosure of Malaysian Listed Banks: Panel Data Analysis.	Data was collected from a sample of 12 listed companies in Malaysia whose main activity is banking from 1996- 2005. Panel data analysis was applied using the Generalized least square method.	Board size, and having a higher percentage of independent non-executive directors on the board, has a positive effect. A higher proportion of block ownership of shares has a

			negative effect.
Stefanescu (2013)	How does board of directors affect corporate governance disclosure? The case of the banking system.	Data was collected from 189 banking institutions in 27 European Union countries listed on their on their main stock exchanges. Data collection was based on information provided by banks' websites through their annual reports	Higher percentage of non-executive directors on the board of directors has a positive effect.
Donnelly and Mulcally (2008)	Board Structure, Ownership, and Voluntary Disclosure in Ireland.	Data was obtained from 51 annual reports of companies listed on the Irish market as of June 3, 2002. The study used a disclosure index designed based on previous studies, to estimate the amount and detail of non-mandatory information disclosed in the annual reports	Higher proportion of non-executive directors on the board has a positive effect.
Akhtaruddin and Haron (2010)	Board ownership, Audit committees' effectiveness, and corporate voluntary disclosures.	Data was collected from annual reports of a sample of 124 Malaysian firms listed on the Main Board of the Bursa Malaysia. The sample excluded banks, insurance firms and financial institutions. An information disclose checklist was designed based on previous literature and an un-weighted disclosure index was designed with a total of 64 items that were identified in compliance with voluntary disclosure items provided by the listed firms in Malaysia.	Director ownership of shares has a negative effect. Higher proportion of independent non-executive directors of the audit committee has a positive effect.
Roshima,	The relationship	Data was collected from a	Board size, block

Yuserrie and Haron (2009)	between corporate social responsibility disclosure and corporate governance characteristics in Malaysian public listed companies.	sample of 150 non-financial companies listed on the main board of Bursa Malaysia in 2006. Corporate social responsibility disclosure items were extracted from annual reports and company websites using the un-weighted disclosure approach.	ownership of shares and having a higher proportion of independent non-executive directors on audit committees (all have a positive effect).
Adelopo (2011)	Voluntary disclosure practices amongst listed companies in Nigeria.	Data was collected from annual reports of a sample of listed companies on the Nigerian Stock Exchange.	Block ownership of shares and managerial (director) ownership of shares have a negative effect.
Hossain (2008)	The extent of disclosure in annual reports of banking companies: The case study of India.	Data was collected from annual reports of 38 banking companies listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India. Un-weighted disclosure index was designed and used to collect data on corporate disclosure.	A high proportion of non-executive independent directors on the board has a positive effect
Barako and Brown (2008).	Corporate social reporting and board representation: Evidence from the Kenyan banking sector.	Data was collected from annual reports of 40 Kenyan banks. Disclosure items were selected using un-weighted disclosure index designed based on prior research studies	A higher ratio of nonexecutive directors on the board has a positive effect
Allegrini and Greco (2013)	Corporate boards, audit committees and voluntary disclosure: evidence from Italian listed companies	Data was collected from annual reports of a sample of 177 non-financial companies listed on Italian Stock Exchange in 2007. The study used un-weighted disclosure	CEO duality (A combination of roles of CEO and chairman board of directors) has a negative effect. Board size has a

		scoring index based on the information disclosed in the 2007 annual reports, to measure the level of voluntary disclosure by companies.	positive effect.
Jizi, Salama, Dixon and Stratling (2014)	Corporate Governance and Corporate Social Responsibility Disclosure: Evidence from the US Banking Sector.	Data was collected from US listed national commercial banks for the period 2009 to 2011. Data on corporate social responsibility disclosure was collected by scoring the contents of corporate social responsibility in the annual reports.	Board size and a high proportion of independent non-executive directors on the board, has a positive effect. CEO duality (a combination of the roles of CEO and the chairman board of directors) has a positive effect.
Huafang and Jianguo (2007)	Ownership structure, board composition and corporate voluntary disclosure. Evidence from listed companies in China	The study used a sample of companies listed on the Shanghai Stock Exchange in China. It excluded firms in the financial sector (banks, insurance and other financial firms) because of the nature of their disclosure requirements. A voluntary disclosure index was used based on un-weighted scoring approach supported by several prior studies.	Higher proportion of block ownership of shares has a positive effect. CEO duality (a combination of roles of CEO and chairman board of directors) has a negative effect. Higher proportion of director ownership) has no effect.
Ghazali and Weetman (2006)	Perpetuating traditional influences: Voluntary disclosure in Malaysia following the economic crisis.	Data was collected from annual reports of non-financial companies listed on Kuala Lumpur Stock Exchange (KLSE) in Malaysia. A disclosure index was generated based on prior studies. A dichotomous procedure	Higher proportion of director ownership of shares has a negative effect. CEO non-duality (independent chair of board of

		was applied by scoring 1 where an item is disclosed and 0 if not disclosed.	directors) and block ownership of shares have no effect.
Frily and Mekel (2014)	The effect of firm size, profitability, leverage and board size on disclosure of corporate social responsibility in companies' annual reports	Data was collected from annual reports of a sample of companies listed on Indonesia Stock Exchange for the period 2005-2008. Findings were obtained using multiple linear regression analysis.	Board size has a positive effect.
Nauman (2013)	Effect of Duality, Board size and Board composition on Corporate Governance Disclosure in Pakistan.	Data was gathered from annual reports of a sample of 53 companies listed on the Karachi Stock Exchange in Pakistan for the fiscal years 2007 to 2011. It used a corporate governance disclosure checklist which included 29 items to score the firm's level of disclosure. Scores of 1 and 0 were used to mark presence and absence respectively, of the item in the disclosure check list.	Board size has a positive effect. CEO duality (a combination of roles of CEO and Board chairperson) and higher proportion of non-executive directors on the board have no effect.
Abdifatah (2013)	Corporate social responsibility disclosure overtime: evidence from Malaysia.	Data was collected from the 2006 and 2009 annual reports of non-financial companies listed on Bursa Malaysia. A self constructed CSR disclosure checklist containing 23 items was used to collect data based on the un-weighted approach whereby 1 was awarded if an item is disclosed and 0 otherwise.	Board size has a positive effect. A higher proportion of independent non-executive directors on the board has no effect. Director ownership of shares has a negative effect.
Baros (2014)	Corporate Governance and	Data was collected from a sample of 206 non-	Higher proportion of independent

	Voluntary Disclosure in France	financial listed French firms during 2006-2009. Board, audit committee and director ownership data were extracted from company annual reports. Voluntary disclosure was measured using self constructed disclosure index based on prior studies. A value of 1 was assigned when an item was disclosed and zero otherwise. The un-weighted approach of scoring disclosure items was used.	directors on audit committee, higher proportion of independent non-executive directors on the board and higher proportion of director ownership of shares have a positive effect.
Elinda and Nazli (2012)	Corporate social responsibility and corporate governance in Malaysian government-linked companies	Data was collected from annual reports of 27 Government-linked companies listed on Bursa Malaysia for the years 2005 and 2007. The extent of CSR disclosure was determined by applying a disclosure check list on the selected corporate annual reports. The check list was adopted from Moh Ghazali (2007). Each disclosure item was equally waited and awarded a score of 1 if disclosed and 0 if not.	Board size has a positive effect Higher proportion of independent non-executive directors on the board has a negative effect

2.9 SUMMARY OF THE LITERATURE REVIEW

The chapter has reviewed and evaluated the theoretical framework of corporate governance and the regulatory systems and developments of corporate governance in Nigeria, East Africa and South Africa. It has also evaluated the existing literature on corporate disclosure and the impact of individual corporate governance attributes on information disclosure. The chapter has indicated that empirical studies on the application of corporate governance system in both developed and developing economies is based on the agency, stakeholder and stewardship theories. The agency theory forms the basis of describing how agency conflicts that arise between shareholders and managers of a company can be resolved through effective corporate governance mechanisms and enhanced information disclosure.

On the other hand, the stakeholder theory explains how the scope of corporate governance covers not only the interests of shareholders and managers, but also includes other stakeholders' interests, to which companies have an obligation and responsibility to satisfy through strengthening governance systems. The stewardship theory departs from the agency theory which assumes that managers are self-interested; explaining instead that managers have interests similar to those of shareholders and therefore governance systems should allow managers to make decisions that enhance firm performance, transparency and disclosure. The chapter has also described the preference of the agency theory over other theories as the basis for this study since it is widely used in empirical studies that evaluate the efficacy of corporate governance systems in mitigating agency conflicts through enhanced corporate disclosure.

The chapter has evaluated existing empirical studies on the impact on corporate disclosure of the following variables: CEO non-duality, board composition and board size, composition of audit committee, block share ownership and director ownership. Although some results show that corporate governance attributes have a significant influence on corporate disclosure, others do not reveal any significant impact at all. This has created gaps in the already existing literature and laid a basis for investigating further the impact of these attributes on the disclosure of corporate information in developing economies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The study is based on the premise that corporate governance attributes help to reduce the agency conflicts between corporate management and shareholders by improving disclosure of corporate information. The study focuses on the efficacy of corporate governance attributes in ensuring that companies disclose all the required information to stakeholders. Disclosure of corporate information is vital in guiding stakeholders to evaluate and select investment opportunities which ultimately result into increase in corporate investments, earnings and economic growth.

The purpose of this chapter is to explain the research design and methodology used to carry out empirical tests and analysis in this study. Research methodology describes the way in which a research problem is identified and systematically solved to obtain empirical evidence. It explains how research is scientifically done and involves studying various logical steps adopted by a researcher in solving the research problem. Methodology also lays down the philosophy of the research process (Bailey, 2008:34). It includes the assumptions and values that serve as the rationale for the research and the standards that the researcher uses for analysing data, interpreting research findings and making conclusions.

The chapter first describes the summary of null hypotheses and the research econometric model which were adopted for the study after a critical review of literature. It also discusses the methods used to collect data from South Africa, Nigeria and East Africa and the basis of measurements for corporate governance attributes and control variables. The chapter further describes how a disclosure index was constructed to determine the level of corporate disclosure and finally, it explains the choice of statistical tools for data analysis and the reasons for the use of the random effects model for regression analysis.

3.2 RESEARCH DESIGN AND APPROACH

The study used a quantitative approach, in which panel data was obtained and analysed to examine the impact of corporate governance attributes on disclosure of corporate information as per the study objectives and hypotheses. The panel data used the stock market data and corporate governance information of listed firms in South Africa, East Africa and Nigeria. The quantitative approach was used because of the need to examine the relationship that exists among the variables under investigation (Creswell, 2009:32).

According to Gujarati (2003:637), panel data is preferred in quantitative analysis over cross-sectional data because it combines time series of cross section observations, which gives more informative data, less collinearity among variables, more degrees of freedom and more efficiency. Use of panel data has the advantage of having the potential to resolve issues and inherent limitations of using cross sectional models (Aboagye et al, 2012:149). A comparative analysis was carried out from using firms listed on securities exchanges in South Africa, Nigeria and East Africa.

3.3 RESEARCH HYPOTHESES

The primary objective of this study is to examine the effect of corporate governance on the disclosure of corporate information. Disclosure of material information by companies reduces information asymmetry hence checking agency conflicts between corporate management and shareholders (Htay et al., 2012:6). The corporate governance attributes covered in this study include CEO non-duality, board size, board composition, composition of audit committees, block ownership of shares and director ownership of shares. The study also covers profitability, firm size and leverage as control variables. The study describes corporate disclosure as exposure of financial and non-financial information (information on governance and CSR). The hypotheses were developed based on the extensive theoretical and literature review in chapter two and are stated below.

3.3.1 CEO non-duality

CEO non-duality entails clear separation of leadership roles between the company CEO and chairman board of directors. This promotes board independence which is attained through the separation of leadership roles and is necessary to exert pressure on management to disclose more material corporate information in line with the interests of shareholders (Htay et al., 2012:4). Empirical results show that separation of leadership roles positively affects disclosure of information (Rouf, 2011:26) while results by Samaha et al. (2012:176) show that CEO duality (a combination of leadership roles) has a negative significant effect on corporate disclosure. A comprehensive theoretical and literature review shows that CEO non-duality has a positive significant influence on disclosure of corporate information and therefore both null and alternative hypotheses are stated as follows:

H_0: Separation of the role of chairman board of directors and CEO has no significant effect on disclosure of financial information by listed companies in developing economies.

H_1: Separation of the role of chairman board of directors and CEO has a positive significant effect on disclosure of financial information by listed companies in developing economies.

H_0: Separation of the role of chairman board of directors and CEO has no significant effect on disclosure of non-financial information by listed companies in developing economies.

H_1: Separation of the role of chairman board of directors and CEO has a positive significant effect on disclosure of non-financial information by listed companies in developing economies.

3.3.2 Board size

Board size is a vital corporate governance attribute (Nandi and Ghosh, 2012:47) and is expected to have a positive effect on disclosure of corporate information (Akhtaruddin et al., 2009:8). The implication is that large boards have directors with diverse professional expertise, skills and experience and are therefore more effective in enhancing corporate disclosure (Stefanescu, 2013:131). From the agency theory perspective and a review of literature, it is believed that board size has a positive significant effect on disclosure of corporate information. Hence both null and alternative hypotheses are stated as follows:

H_0: Board size has no significant effect on disclosure of financial information by listed companies in developing economies.

H_1: Board size has a positive significant effect on disclosure of financial information by listed companies in developing economies.

H_0: Board size has no significant effect on disclosure of non-financial information by listed companies in developing economies.

H_1: Board size has a positive significant effect on disclosure of non-financial information by listed companies in developing economies.

3.3.3 Board composition

Based on the agency theory, a higher proportion of independent non-executive directors on the board enhances the independence of boards to make decisions and encourages management to disclose all material information (Htay et al., 2012:4). It is therefore believed that boards with a higher proportion of non-executive directors are effective in monitoring the activities of corporate management to ensure that all the relevant information is disclosed to shareholders. In contrast, Lim, Matolcsy and Chow (2007:560) assert that instead, it is the executive directors who play an important role in enhancing disclosure because they are the ones involved in day-to-day management and therefore would be able to disclose more information to signal to the market that they are not engaged in making suboptimal decisions. Through a theoretical and literature review, it is indicated that a higher proportion of non executive directors on the board has a positive significant effect on disclosure of corporate information. The null and alternative hypotheses are therefore stated as follows:

H_0: Higher proportion of non-executive directors on the board has no significant effect on disclosure of financial information by listed companies in developing economies.

H_1: Higher proportion of non-executive directors on the board has a positive significant effect on disclosure of financial information by listed companies in developing economies.

H_0: Higher proportion of non-executive directors on the board has no significant effect on disclosure of non-financial information by listed companies in developing economies.

H_1: Higher proportion of non-executive directors on the board has a positive significant effect on disclosure of non-financial information by listed companies in developing economies.

3.3.4 Composition of Audit committee

Audit committees help in providing means for review of company processes to produce financial data and therefore, they are vital in producing high quality financial reporting (Roshima et al., 2009:216). The presence of more independent non-executive directors on audit committees enhances disclosure of corporate information (Barros, 2013:564). A review of literature shows that audit committee independence has a positive effect on disclosure of corporate information. Based on theoretical and literature review, the following hypotheses are stated:

H_0: A higher proportion of non-executive directors on the audit committee has no significant effect on disclosure of financial information by listed companies in developing economies.

H_1: A higher proportion of non-executive directors on the audit committee has a positive significant effect on disclosure of financial information by listed companies in developing economies.

H_0: A higher proportion of non-executive directors on the audit committee has no significant effect on disclosure of non-financial information by listed companies in developing economies.

H_1: A higher proportion of non-executive directors on the audit committee has a positive significant effect on disclosure of non-financial information by listed companies in developing economies.

3.3.5 Block ownership of shares

Block shareholding presents a situation where shares are concentrated in the hands of a few individuals and/or institutions. Large block shareholders may prefer less disclosure of corporate information. This is because they may have a strong incentive to search for private pre-disclosure information and therefore a negative relationship between block share ownership and disclosure of corporate information is expected (Haiyan and Ahsan, 2009:277). Empirical results from previous studies have produced mixed results. For instance, Huafang and Jianguo (2007:614) revealed that block ownership of shares has a positive significant influence while Adelopo (2011:343) and Htay et al. (2012:204) revealed a negative influence on corporate disclosure. However, a comprehensive literature review indicates that block ownership of shares has a negative influence on disclosure. The null and alternative hypotheses are therefore stated as follows:

H_0: Block share ownership has no significant effect on disclosure of financial information by listed companies in developing economies.

H_1: Block share ownership has a negative significant effect on disclosure of financial information by listed companies in developing economies.

H_0: Block share ownership has no significant effect on disclosure of non-financial information by listed companies in developing economies.

H_1 :Block share ownership has a negative significant effect on disclosure of non-financial information by listed companies in developing economies.

3.3.6 Director share ownership

Director ownership describes the proportion of total shares held by directors and senior managers of a company. According to Htay et al. (2012: 198), top senior managers are normally informed about company activities and might be less motivated to put pressure on management to disclose more information. However, Laivi (2009:15) asserts that senior directors who hold shares also have long-term interests in the company, benefit from dividends and therefore, they are less motivated to expropriate company resources for their personal benefit. Through literature review, it is expected that director share ownership has a negative significant influence on disclosure of corporate information. The following hypotheses are stated to describe the relationship between director ownership of shares and disclosure of corporate information.

H_0: Director Ownership of shares has no significant effect on disclosure of financial information by listed companies in developing economies.

H_1: Director Ownership of shares has a negative significant effect on disclosure of financial information by listed companies in developing economies.

H_0: Director Ownership of shares has no significant effect on disclosure of non-financial information by listed companies in developing economies.

H_1: Director Ownership of shares has a negative significant effect on disclosure of non-financial information by listed companies in developing economies.

3.4 THE RESEARCH MODEL

This section presents the multiple regression model used to describe the impact of corporate governance attributes on corporate disclosure. The model describes the relationship between independent, dependent and control variables in this study. The independent variables include: CEO non-duality (CEO), board size (BS), board composition (BC), composition of audit committees (CAC), block share ownership (BO) and director share ownership (DO). Corporate disclosure is the dependent variable in the study and based on existing studies by Poh and Grantley (2013:6); Rouf (2011:7844) and Akhtaruddin and Hasnah (2010:224), corporate disclosure (CD) is categorized into disclosure of financial information and non-financial information (information on governance and CSR). For purposes of empirical analysis and the need to minimize the impact of other variables that could explain the extent of corporate disclosure, three control variables have been identified through literature review and are also included in the regression model. These are: firm size (FS), leverage (Lev) and profitability (P). Based on the theoretical and existing empirical studies such as those carried out by Samaha et al. (2012:172), Khan, Muttakin and Siddiqui (2012:214) and Poh and Grantley (2013:11, a modified model that put into consideration availability of data was developed using the following econometric equation.

$$CD_{it} = \alpha o_{it} + \alpha_1 CEO_{it} + \alpha_2 BS_{it} + \alpha_3 BC_{it} + \alpha_4 CAC_{it} + \alpha_5 BO_{it} + \alpha_6 DO_{it}$$
$$+ \alpha_7 FS_{it} + \alpha_8 Lev_{it} + \alpha_9 P_{it} + ei + u_t .$$

Where CD: Corporate disclosure

α_O: Intercept term

e_i and u_t : Between and within entity error terms

α_1 ….. α_9: Slope coefficients

The discussion of attributes included in the model is given in sections 3.3 (Research Hypotheses), 3.7.1 (measurement of corporate governance attributes and control variables) and 3.7.2 (measurement and data collection for corporate disclosure). According to Roshima (2009:219) firm size (total assets) and profitability (ROE and ROA) have been widely used by past researchers as control variables and the use of these variables improves the relationship between corporate governance characteristics and corporate social disclosure. In addition, Desoky and Mousa (2012:55) assert that firms with higher gearing levels disclose more information to give creditors confidence about the company's ability to settle creditors' obligations.

3.5 STUDY PERIOD

The study uses panel data covering a period of four years: 2010 to 2013.The choice of the period is justified by the following reasons.

a. For South African listed firms, this was a period during which the King III Report that came into effect in 2009, was being implemented. The Report outlines the application of several corporate governance attributes which were the focus of this study.

b. This was a period when most companies globally were recovering from 2007-2008 financial crises which also affected some of the developing economies like Nigeria. It was expected that by this study period (2010-2013), companies would have strengthened corporate governance systems to monitor operation and improve disclosure of all corporate information in order to boost investments and economic growth.

The periods mentioned in 3.5(a) and 3.5(b) are too very close to the period of this research and it could be argued that the recommendations of the King III Report may not have been fully implemented and the economies may not have been fully recovered from the global financial crisis. However, the results from the study are still useful and could point at whether improvements in governance systems are made and how this impacts on disclosure of both financial and non-financial information.

3.6 SAMPLING PROCEDURE

The study included 584 observations from all non-financial firms with all the required information on corporate governance and corporate disclosure from selected securities exchanges in Sub-Saharan Africa that is, from South Africa, East Africa and Nigeria. They include: 380 observations from 95 companies listed on the Johannesburg Securities Exchange in South Africa, 100 observations from 25 companies listed on the Nigeria Stock Exchange in West Africa and

104 observations from 26 companies listed on the Nairobi and Uganda Securities Exchanges in East Africa. Financial firms such as banks and insurance companies were excluded from the study because they are specialised in nature with a tighter regulatory environment and are normally subjected to different disclosure requirements and accounting principles (Abdifatah, 2013:659). The sample also excluded firms whose corporate governance data and information on corporate disclosure could not be obtained from the company websites, corporate governance reports and annual reports for the full period of the study.

To avoid non-homogeneity caused by the inclusion of companies in the sample with varied financial reporting dates, the study excluded from the sample all companies with different reporting dates and only included firms whose financial year end was 31st December.

3. 7 SOURCES OF DATA, DATA COLLECTION METHODS AND MEASUREMENT OF VARIABLES

Data was collected from company annual reports and corporate governance reports available at the Johannesburg Securities Exchanges in South Africa, Nairobi and Uganda Securities Exchanges in East Africa and Nigeria Securities Exchange in Nigeria. Most annual reports of companies listed on the selected securities exchanges in Sub-Saharan Africa are available from the BFA McGregor and Bloomberg Databases at the University of Cape Town main library. These databases were the major sources of data for this study. Different methods were used to measure and collect data on corporate governance attributes, corporate disclosure and control variables as described in sections 3.7.1 to 3.7.3.

3.7.1 Measurement of corporate governance attributes and control variables

For corporate governance attributes and control variables, data was extracted from annual reports on CEO non-duality, board size, and board composition, composition of audit committees, ownership structure (Block share ownership and director ownership), firm size, leverage and profitability. Based on existing studies by Ali-Janadi et al. (2013:29); Nandi and Ghosh (2012:52); Rouf (2011:7840) and Barako et al. (2006:118), measurements of variables were carried out as per the information summarised in the table 3.1

Table 3. 1: Measurements of corporate governance attributes and control variables

Independent variable	**Measurement**
CEO non-duality	Dichotomous: 1 indicating separation of roles of CEO and Board chairman and 0 otherwise.
Board size	Total number of directors on the board.
Board composition	Ratio of non-executive directors to total number of directors on the board.
Composition of audit committee	Ratio of non-executive directors to total number of directors on the audit committee.
Concentrated (Block) share ownership	Percentage of shares held by shareholders with at least 5% of the total company shareholdings (Ntim et al., 2012:130).
Director ownership	Proportion of shares held by directors (Nazli, 2007:259).
Firm size	Natural logarithm of total assets
Leverage	Debt ratio defined as a ratio of total debt to total assets (Kowalewski et al, 2009:58).
Profitability	Profitability is measured by return on assets computed as the ratio of earnings before interest and tax to total assets. This is in line with Cespedes et al. (2010:250); Magri (2010:450) and Chakraborty (2010:308).

From table 3.1, it is indicated that the study used natural logarithm of total assets to measure firm size. Use of natural logarithm is based on prior research studies by Garcia-Romos and Garcia-Olalla (2011:226); Milad et al. (2013:440); Soliman and Ragab (2013:10); Haslindar and Fazilah (2011:1800); and Arosa et al. (2010:92) who used natural logarithm of book value of total assets to measure firm size.

According to, Nadja et al. (2011:694), logarithm of book values of assets is used to account for differences in firm size. The use of logarithm also helps to transform data by correcting positive skewness thus, enhancing normality (Darnall et al., 2010:1080 and Kyung eta al., 2010:75). Consideration of logarithmic data is a widespread practise used in statistical data analysis to reduce extreme values of skewness and kurtosis to transform data to look like a normal distribution (Eling, 2012:242). The above analysis therefore explains why logarithm of total assets is used to measure firm size to ensure that the data conforms to the requirements of a normal distribution.

3.7.2 Measurement and data collection for corporate disclosure

For corporate disclosure, a self-constructed disclosure index was developed to measure the level of disclosure. The index included 20 selected items on financial information and 40 items on non-financial information which all listed companies are supposed to disclose in their annual reports. Financial information covered items on general financial information, financial review and future financial forecasts (projections). Non-financial information included items on corporate background and strategy, governance and corporate social responsibility. Selection of items to include in a disclosure index is supported by Elsayed and Hoque (2010:32) who stress that the existing literature on disclosure does not provide a number of alternatives for measuring corporate disclosure other than use of the disclosure index. Furthermore, Barako et al. (2006:120) assert that there is no general theory that provides guidance on selection of items to measure the level of corporate disclosure because disclosure by its nature is an abstract construct with no measurable characteristics that can be used to determine its quality.

Developing a corporate disclosure index for this study is also supported by prior studies carried out by Tatiana, Georgios, Ioannis., and Konstantinos et al. (2013:6); Omaima (2009:89); Akhtaruddin (2009:18); Chavent et al. (2006:186); Hossain (2008:665); Nandi and Ghosh (2012:51) and Donnelly and Mulcahy (2008:421) who all used self-constructed disclosure index to measure the level of corporate disclosure. To minimise subjectivity in selection of items, the disclosure index constructed was given to three selected professional experts; that is, two professional accountants and one academic Associate Professor of financial economics. They all read and edited the disclosure index that I had originally developed and later we remained with 60 items in the final disclosure index.

3.7.3 Estimating and scoring the disclosure index

The disclosure index was estimated by scoring disclosure items in the company annual reports. According to Akhtaruddin et al. (2009:6), researchers can use two methods for scoring disclosure items in the disclosure index used to determine the level of corporate disclosure. That is, use of weighted and un-weighted approaches. The weighted approach puts emphasis on the relative importance of the different disclosed items to the users of annual company reports while the un-weighted disclosure index assumes that each item disclosed is equally important (Nandi and Ghosh, 2012:51). According to Barakat et al. (2015:690), with the un-weighted approach of scoring the disclosure items, attention is given to all users of company reports rather than a specific particular user group and therefore all the items disclosed have equal importance.

Various research scholars such as Elsayed and Hoque (2010:24); Chavent et al. (2006:186); Tatiana et al. (2013:7); Ioannis et al. (2010:215) and Mohammed and Helimi (2009:255), have indicated that most disclosure studies adopt the un-weighted approach of scoring the disclosure index. Furthermore, the use of un-weighted method of scoring items of disclosure index is supported by Ntim, Opong and Danbold (2012:129) who assert that there is no rigorously developed theoretical framework on which weights could be correctly assigned to disclosure items. Therefore, the study adopted the un-weighted approach of scoring disclosure items because all items in the disclosure index were regarded to have equal importance. With this approach, a dichotomous procedure is used where an item is scored one if it is disclosed and zero otherwise. The index is then obtained as a ratio of total disclosure to total possible disclosure.

3.8 DATA ANALYSIS PROCEDURE

This study used STATA MP Version 13 statistical software for empirical data analysis. It started with obtaining descriptive statistics, normality tests and correlation matrix and then it was followed by multiple regression analysis where random effects multiple regression models were obtained to determine the impact of corporate governance attributes on disclosure of financial and non-financial information. The choice of the random effects model in regression analysis was appropriate for this study because of presence of dummy and time invariant variables. This is supported by Gujarati and Porter (2009:602) who state that use of random effects model helps to include in the analysis relevant explanatory variables that do not change overtime and possibly others that do change overtime but have the same value for all cross-sectional units. The dummy variable was CEO non-duality, where the score was 1 for the separation of roles of CEO from those of the board chairperson and zero otherwise. The time invariant explanatory variable were board size, board composition and composition of the audit committees which may not necessarily change from one year to another.

3.9 SUMMARY OF THE CHAPTER

The aim of this chapter was to describe the research methodology and approach used to carry out the study to achieve the stated objectives. The chapter has described the quantitative approach used in the study and the use of panel data in gathering the research evidence. It has also been described in this chapter that through the review of theory and existing literature, null and alternative hypotheses were formulated to guide the study with a view of collecting the empirical evidence to either reject the null hypotheses or accept the alternative.

The chapter also discusses the econometric model used in the study, describing the relationship between the dependent, independent and control variables. The model was developed based on existing empirical studies and availability of data in the areas covered by this study. The study period and the sample used in the study are also described. The chapter further describes the basis of various measures of attributes of corporate governance and control variables. For disclosure of corporate information, the chapter describes how an un-weighted disclosure index was developed and the use of dichotomous procedure of scoring items included in the disclosure index. The chapter ends by describing the processes of data analysis where STATA MP Version 13 statistical software was used. The choice of Random Effects multiple regression model in this study was also described. This was because of having time invariant and dummy variables in the econometric model.

The next chapter presents descriptive statistics on both corporate governance attributes and corporate disclosure and also describes normality tests. It also describes the correlation analysis used to measure the strength of the association between the variables in this study.

CHAPTER FOUR

DESCRIPTIVE STATISTICS AND CORRELATION ANALYSIS OF FINDINGS

4.1 INTRODUCTION

This chapter presents the descriptive statistics used to evaluate the application of corporate governance attributes and the level of corporate disclosure. It also discusses the normality tests and evaluates data transformation requirements for further data analysis. The chapter further discusses the empirical results of correlation analysis obtained to evaluate any significant relationship between the corporate governance attributes and corporate disclosure, and to detect any adverse effects of multicollinearity that would affect multiple regression analysis.

4.2 DESCRIPTIVE STATISTICS

To evaluate the application of corporate governance attributes and level of corporate disclosure, descriptive statistics were obtained and are presented in tables 4.1, 4.2 and 4.3.

Table 4. 1: Descriptive statistics for a sample of listed companies in South Africa

Variable	N	minimum	maximum	mean	stand. deviation	p50	p25	p75	skewness	kurtosis
BS	380	3	17	9.926	2.75	10	8	11	0.5702	2.9649
BC	380	0.364	0.889	0.675	0.117	0.667	0.6	0.778	-0.4128	2.6798
IndBC	380	0.111	0.875	0.506	0.155	0.5	0.375	0.625	0.129	2.3881
SAC	380	2	6	3.247	0.614	3	3	4	0.9637	4.7879
CAC	380	0.5	1	0.995	0.043	1	1	1	-8.653	80.257
Block	380	0	0.987	0.465	0.2	0.467	0.308	0.627	-0.0051	2.2204
Director	380	0	0.723	0.131	0.186	0.023	0.003	0.211	1.49	4.182
Lev	380	0.0153	0.881	0.483	0.176	0.482	0.345	0.615	0.0627	2.4103
Prof	380	-0.304	0.556	0.121	0.106	0.111	0.062	0.18	-0.0546	5.7528
Financial	380	0.474	0.95	0.734	0.107	0.75	0.65	0.8	-0.3994	2.4211
Non-financial	380	0.522	0.957	0.799	0.084	0.826	0.739	0.87	-0.7241	3.5537
1nfirm	380	18.48	29.5	21.88	1.674	21.7	20.57	22.94	0.677	4.0888

Where BS represents total number of directors on the board ; BC: Proportion of non- executive directors to total number of directors on the board; IndBC: Proportion of independent non-executive directors to total number of directors on the board; CAC: Proportion of non-executive directors to total number of directors on the audit committee; Block: proportion of shares held by shareholders with at least 5% of total company shareholding; Director: proportion of shares held by directors; Infirm: Natural logarithm of book value of total assets; Lev: Ratio of total debt to total assets; Prof: Ratio of earnings before interest and tax to total assets; Financial: disclosure of financial information; Non-financial: disclosure of non-financial information.

Table 4. 2: Descriptive statistics for a sample of listed companies in East Africa

Variable	N	minimum	maximum	mean	stand. deviation	p50	p25	p75	skewness	kurtosis
BS	104	5	15	8.5	2.389	8	7	10	0.616	3.175
BC	104	0.4	0.917	0.795	0.116	0.833	0.714	0.875	-1.608	5.428
SAC	104	2	6	3.298	0.681	3	3	4	0.48	4.386
CAC	104	0.333	1	0.965	0.136	1	1	1	-4.055	18.445
Block	104	0.053	0.923	0.578	0.173	0.606	0.504	0.7	-1.156	4.3
Director	104	0	0.421	0.0501	0.101	0.0003	0	0.032	2.28	7.48
Lev	104	0.0484	0.856	0.49	0.192	0.495	0.332	0.642	0.003	2.053
Prof	104	-0.202	0.363	0.117	0.095	0.092	0.06	0.149	0.521	4.104
Financial	104	0.3	0.842	0.563	0.127	0.55	0.45	0.667	0.135	2.096
Non-financial	104	0.304	0.87	0.665	0.122	0.696	0.565	0.756	-0.447	2.667
1nfirm	104	18.9	25.96	23.05	1.55	23.13	21.63	24.22	0.0382	2.183

Description of variables is given in table 4.1

Table 4. 3: Descriptive statistics for a sample of listed companies in Nigeria

Variable	N	minimum	maximum	mean	stand. deviation	p50	p25	p75	skewness	kurtosis
BS	100	6	14	9.1	2.149	9	8	10	0.361	2.391
BC	100	0.417	0.91	0.737	0.125	0.76	0.636	0.833	-0.533	2.407
SAC	100	4	6	5.49	0.835	6	5	6	-1.12	2.388
CAC	100	0.5	1	0.913	0.123	1	0.833	1	-1.202	3.629
Block	100	0.051	0.8	0.567	0.17	0.606	0.464	0.692	-0.926	3.039
Director	100	0	0.476	0.051	0.095	0.011	0.0008	0.063	2.777	10.41
Lev	100	0.223	0.949	0.568	0.171	0.555	0.428	0.695	0.283	2.225
Prof	100	-0.145	0.636	0.141	0.11	0.115	0.073	0.203	0.982	6.128
Financial	100	0.35	0.85	0.598	0.129	0.6	0.5	0.684	0.048	2.221
Non-financial	100	0.435	0.87	0.672	0.111	0.652	0.609	0.783	0.058	2.14
1nfirm	100	14.62	26.26	23.85	1.95	24.54	22.94	25.14	-1.669	7.22

Description of variables is given in table 4.1

4.2.1 Descriptive statistics for Independent variables

In this study, independent variables were board composition (BC), board size (BS), composition of audit committee (CAC), block shareholding (Block) and director shareholding (Director). On

Board composition, tables 4.1, 4.2 and 4.3 show that the mean ratios of non-executive directors to the total number of directors on the board are: 67.5% for South Africa, with the independent non-executive directors constituting 50.6% of total number of directors on the board. For East Africa and Nigeria, the mean values of non-executive directors to total number of directors are 79.5% and 73.7% respectively. The 50th (median values) and 75th percentiles are 66.7% and 77.8% respectively for South Africa, 83.3% and 87.5% for East Africa and 76% and 83.3% for Nigeria. These statistics imply that majority of the members of directors on corporate boards are non-executive directors and therefore, they are able to independently monitor company operations and exert a lot of influence on management to disclose information to corporate stakeholders. For board size, the mean values of directors on the board are: 10 for South Africa, 8 for East Africa and 9 for Nigeria. The 50th (median values) and 75th percentiles of board size are: 10 and 11 respectively for South Africa, 8 and 10 respectively for East Africa and 9 and 10 respectively for Nigeria.

The descriptive figures of board size and board composition are consistent with several other studies on governance and corporate disclosure in Africa and around the globe. For instance, a study by Ntim et al. (2012:131) on voluntary corporate governance disclosures by Post-Apartheid South African corporations reported average board size of 9.75. Furthermore, Allegrini (2013:202) reported average board size of 9.67 and independent board composition of 38%. Roshima, Zainuddin and Hasnah (2009:221) reported average board size of 8 and the ratio of non-executive directors to total directors of 63% while a study carried out by Akhataruddin et al. (2009:9) had average values of 38.3% and 7.9 for independent board composition and board size respectively.

The implication of these figures is that having a higher proportion of non-executive directors on the board and a large board size help the company to bring on board more experienced and independent directors with a lot of expertise. Hence, these directors are able to influence the way in which corporations are managed and ensure that all the relevant information is disclosed to all corporate stakeholders to guide them in the decision-making process. This argument is consistent with the agency theory which suggests that non-executive directors are seen as a mechanism for monitoring and controlling the actions of managers and protecting shareholders interests through enhanced information disclosures (Wan and Zunaidah, 2010:217). About the composition of audit committee, the mean values of non-executive directors to total size of the committee are 0.995 for South Africa, 0.965 for East Africa and 0.912 for Nigeria. These values are consistent with Gosh and Moon (2010:158) who reported a mean value of 0.91 but higher than 0.693 and 0.701 reported by Akhtaruddin and Hasnah (2010:75) and Nurul and Sherliza (2011:297) respectively.

For block shareholding, the study established that the mean percentages of shares held by substantial shareholders were 46.5% for South Africa, 57.8% for East Africa and 56.7% for Nigeria. The 50^{th} (median values) and 75^{th} percentiles are 46.7% and 62.6% respectively for South Africa, 60.5% and 70% respectively for East Africa and 60.6% and 69.2% respectively for

Nigeria. These values are consistent with the study by Poh and Grantley (2013:15) who reported an average block shareholder ownership of 59.3%, but slightly less than the average value of 62% reported by Ntim et al. (2012:131) on a sample of South African firms listed on Johannesburg Securities Exchange for the period 2002–2006. They are also less than the 73% block shareholder ownership reported by Ferreira et al. (2012:290) on a study carried out on Portuguese listed companies.

The mean values of director shareholding were 13.1% for South Africa, 5% for East Africa and 5.1% for Nigeria. The 50th (median values) and 75th percentiles were 2.3% and 21.1% respectively for South Africa, 0.025% and 3.2% for East Africa and 1.1% and 6.3% for Nigeria. These values are less than 23.4% reported by Mangena and Chamisa (2008:37) who carried out a study on corporate governance for firms listed on the Johannesburg Securities Exchange. Also, although the average director shareholding for South Africa is consistent with the study by Roshima et al. (2009:10) who reported the average director share ownership of 9.95%, it is far less than 29.2% reported by Akhataruddin and Hasnah (2010:76). The average director share ownership of East Africa and Nigeria is so low compared to that of South Africa, but consistent with a study by Htay et al. (2012:132) who reported an average director shareholding of 2%.

For CEO non-duality, the data collected was categorical and a nominal scale of measurement was used. While 1 was used to represent separation of duties of the chairman board of directors from those of the chief executive officer and the positions held by two individuals, 0 was used to describe a situation where the roles of the chief executive officer and the chairman board of directors were combined and the positions held by one person. The description of CEO non-duality is presented using graphs below.

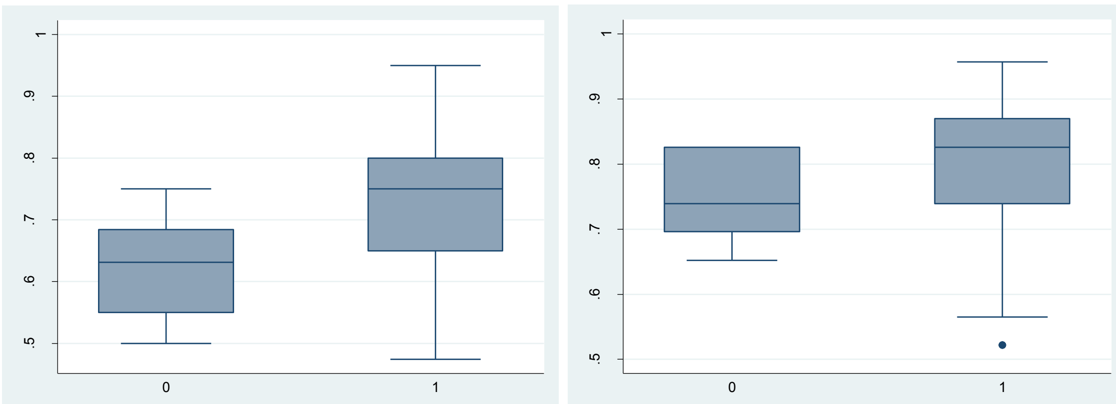

Figure 1: Description of CEO non-duality for listed firms in South Africa

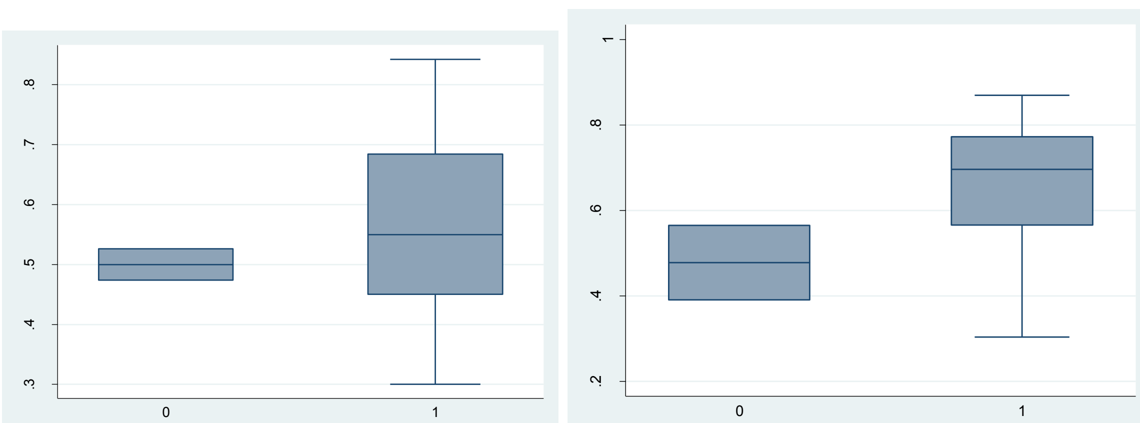

Figure 2: Description of CEO non-duality for listed firms in East Africa

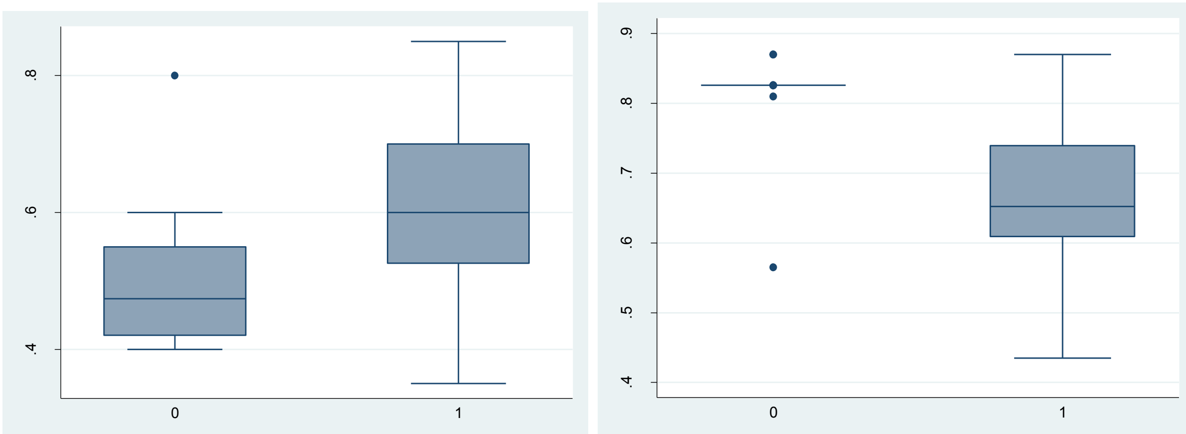

Figure 3: Description of CEO non-duality for listed firms in Nigeria

From figures 1 and 2, it is clearly observed that the disclosure level of financial, governance and CSR (non-financial) information for listed firms in both South Africa and East Africa is higher at 1 compared to 0. This implies that in companies where the roles of chairperson board of directors are separate from those of the CEO, the level of corporate disclosure of both financial and non-financial information is higher. Even for listed firms in Nigeria, we can observe from figure 3 that the level of disclosure of financial information is higher at 1 compared to 0. On disclosure of governance and CSR (non-financial) information for listed firms in Nigeria, the data points were only four at 0 and therefore could not form a bar compared to data points at 1. This implies that the most observed values are where the roles of the chief executive officer and chairperson board of directors are separate. This means that most listed companies in Nigeria have separated the two roles for proper governance of company operations, which leads to increase in the level of corporate disclosure.

In South Africa, the separation of roles is in line with the King III Report (2009:12), which recommends separation of roles of chief executive officer and board chairperson. For Nigeria, the Code of Corporate Governance for public companies (Page 12) states that the roles of the two officers should be separate. This is consistent with most studies which indicate that most companies have separated those roles. Zubaidah, Nurmala and Kamaruzaman (2009:164) revealed a CEO non-duality of 0.707 while Olanyika (2010:163) who carried out a study on companies listed on Nigeria Securities Exchange, reported CEO non-duality of 0.87.

4.2.2 Descriptive statistics for dependent variables

The study established that the mean values of disclosure of financial information were 73.4% for South Africa, 56.3 % for East Africa and 59.8% for Nigeria. The 50th (median values) and 75th percentiles for disclosure of financial information were 75% and 80% respectively for South Africa, 55% and 66.7% respectively for East Africa and 60% and 68.4% respectively for Nigeria. For non-financial information, the mean values of disclosure were 80% for South Africa, 66.5% for East Africa and 67.2% for Nigeria. The 50th (median values) and 75th percentiles for disclosure of non-financial information were 82.6% and 87% respectively for South Africa, 69.6% and 75.6% respectively for East Africa and 65.2% and 78.3% for Nigeria.

The figures indicate that for both types of information disclosure, South Africa has higher levels of disclosure than East Africa and Nigeria. The disclosure levels for East Africa and Nigeria are almost the same and consistent with the study carried out by Desoky and Mousa (2012:59) who reported the mean corporate disclosure of 58.8% for companies listed on Egyptian Securities Exchange in North Africa. The findings are also consistent with studies by Akhtaruddin and

Hasnah (2010:75) and Nandi and Ghosh (2012:53) who reported mean disclosure levels of 58.6% and 62.4% respectively. However the mean corporate disclosure levels from all the listed firms under study (South Africa, East Africa and Nigeria) are higher than the average disclosure level of 48.8% reported by Bokpin and Zangina (2009:695) who carried out a study on companies listed on the Ghana Securities Exchange.

4.3 TEST FOR NORMALITY

Assessment of normality is required in most statistical analysis, especially if parametric methods are to be used. This is because parametric statistical analysis assumes that data be normally distributed (Nornadiah & Yap, 2011:21). There are several tests to determine whether the data of the variables is normally distributed. The study used a simple examination of skewness and kurtosis. According to Xiong & Idzorek (2011:4), a normally distributed data has a skewness of 0 and a kurtosis of 3.

Analysis of skewness and kurtosis of both independent and the control variables given in table 4.1 for a sample of South African listed firms indicate that data of some variables is not normally distributed. For instance, variables such as composition of audit committees, director shareholding, profitability and firm size have values of skewness and kurtosis that deviate from the assumptions of normal distribution. However, for the dependent variables, the skewness and kurtosis of disclosing financial information for South African listed firms was -0.399 and 2.42 respectively, while disclosing governance and CSR information had skewness and kurtosis values of -0.72 and 3.55 respectively which all approximate to a normally distributed data. A graphical representation of normality for dependent variables (disclosure of financial and non-financial information) is presented below.

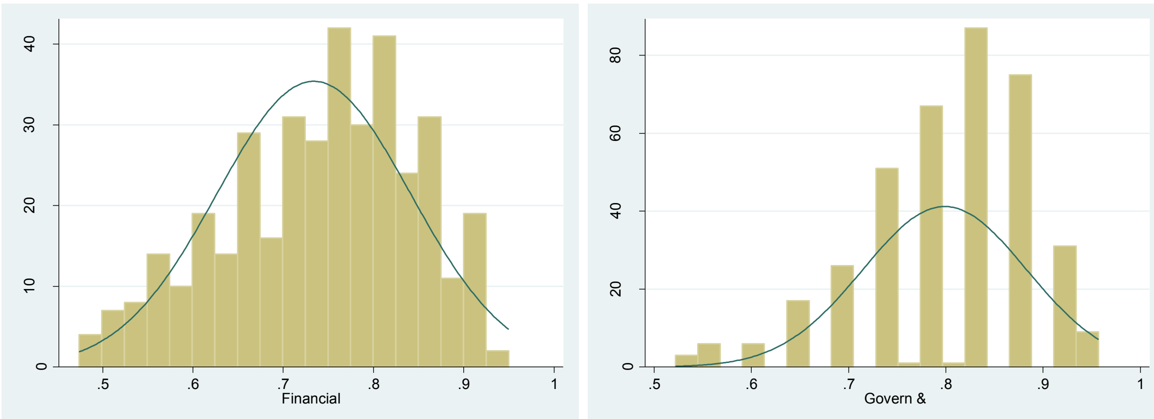

Figure 4: Distribution of Disclosure of Financial, Governance and CSR (non-financial) information for a sample of South African listed firms.

Figure 4 indicates that data on disclosure of both financial and non-financial information, which are the dependent variables in the study, is approximately normally distributed.

For East Africa, table 4.2 shows that the independent variables - board composition, composition of audit committee, block shareholding and director shareholding - had high values of skewness and kurtosis. The data from these variables was therefore not normally distributed. Only one independent variable, that is, board size, had values of skewness and kurtosis that follow the assumptions of a normal distribution. For control variables, while profitability which had a slightly high value of kurtosis (4.104), the rest (leverage and firm size) had values of skewness and kurtosis that represent normal distribution.

The values of skewness and kurtosis for dependent variables (disclosure of financial and non-financial information) were in the range of normal distribution, which is 0.135 and 2.096 for skewness and kurtosis respectively for disclosure of financial information and -0.45 and 2.67 for skewness and kurtosis respectively for disclosing non-information. Data on dependent variables for East African listed firms was therefore normally distributed as shown in the graphs below.

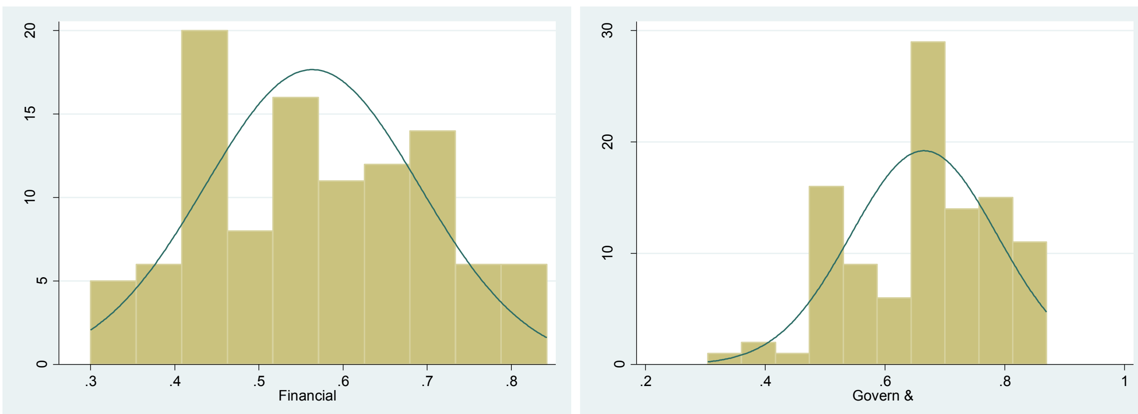

Figure 5: Distribution of Disclosure of Financial, Governance and CSR (non-financial) information for a sample of listed firm in East Africa.

Figure 5 shows that data on both disclosure of financial information and non-financial information, which are the dependent variables in the study, is normally distributed.

For listed firms in Nigeria, the values of skewness of the independent variables, that is, composition of audit committees and block shareholding shown in table 4.3 were -1.20 and -0.93 respectively. These values are slightly less than 0, which is recommended for a normally distributed data. Director shareholding which is one of the independent variables had higher values of skewness and kurtosis, that is: 2.78 and 10.41 respectively, which violates the assumptions of normality. Control variables (profitability and firm size) also had high values of skewness and kurtosis, that is: 0.98 and 6.13 respectively for profitability and -1.67 and 7.22 respectively for firm size. For dependent variables (disclosure of financial and non-financial information), the values of skewness and kurtosis shown in table 4.3 were in the ranges required for a normal distribution. Also, a graphical representation of data of listed firms in Nigeria for the dependent variables is given below.

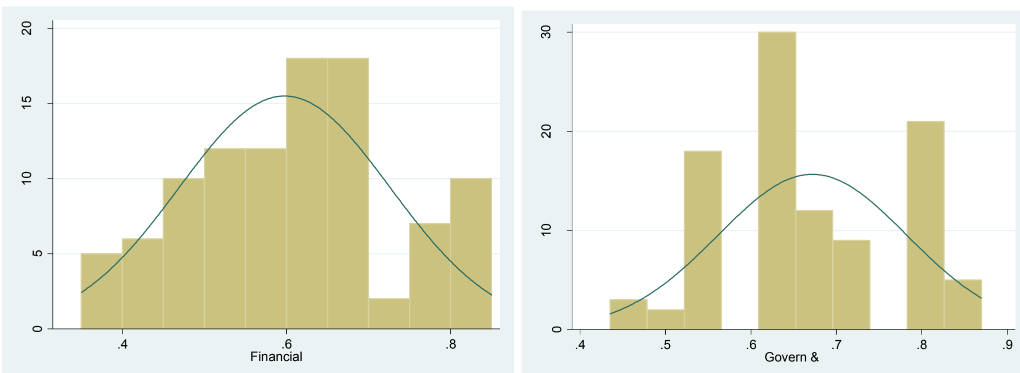

Figure 6: Distribution of Disclosure of Financial, Governance and CSR (non-financial) information for a sample of listed firms in Nigeria

Figure 6 indicates that data on disclosure of financial and non-financial information which are the dependent variables in the study is normally distributed.

4.4 TEST FOR LINEARITY

The primary objective of this study was to examine whether there is a relationship between corporate governance and disclosure of corporate information by listed companies in developing economies. To achieve this, a correlation analysis was carried out. The primary objective of correlation analysis is to measure the strength or the degree of linear association between two variables (Gujarati, 2003:23). The correlation coefficient is used to measure this strength of linear association. To carry out correlation analysis for this study, a decision had to be made on whether to use Pearson or Spearman rank correlations.

Pearson correlation is regarded as one of the most commonly used methods of statistical analysis, but its value may be seriously affected by one outlier (Croux & Dehon, 2010:498). In statistical analysis, Pearson correlation estimator is the most efficient for normal distributions, but the statistical efficiency of the Spearman correlation estimator remains above 70% for all possible values of the population correlation. Spearman rank correlation coefficient is therefore frequently used as a non-parametric measure of the degree of association between variables. It is used to measure correlation between two variables where the assumption of a normally distributed data is not realistic (Aczel & Sounderpandian, 2002:702). Furthermore, it is reported that where normality tests are done and some variables are distinctively non-normal, then non-parametric tests such as Spearman's rank order correlations are used (Rosalind & Woodcock, 2011:114).

Although, both Pearson and Spearman rank correlations are used to measure the strength of linear dependence between two variables, the later is less sensitive to outliers than the former (Azam, Hoque and Yeasmin, 2010:205). This implies that where data is not normally distributed, and can also be arranged in ranks or follows the ordinal scales, then Spearman rank correlation is commonly used as an alternative to Pearson correlation to measure the strength of the linear association between variables. From the tests of normality given in section 4.3 of this study, it is clear that data of some variables is not normally distributed. Therefore, this study used Spearman rank correlation analysis to measure the linear association between the variables and the results are presented and discussed from sections 4.4.1 to 4.4.3.

4.4.1 Correlation analysis for listed firms in South Africa.

The correlation analysis of independent, control and dependent variables for South African listed firms is given in the table below.

Table 4. 4: Spearman correlation for listed firms in South Africa

Variables	BS	BC	IndBC	CAC	Block	Director	Lev	Prof	Financial	Govern	lnfirm
BS	1.0000										
BC	0.217***	1.0000									
IndBC	0.037	0.4831***	1.0000								
CAC	0.0821	0.017	-0.0226	1.0000							
Block	-0.0647	0.1501***	-0.136***	-0.0125	1.0000						
Director	-0.197***	-0.344***	-0.330***	-0.086*	-0.248***	1.0000					
Lev	0.0197	-0.0796*	0.0547	-0.0822	-0.208***	0.0378	1.0000				
Prof	0.1371***	0.0844*	0.126**	0.025	-0.112**	-0.071	-0.142***	1.0000			
Financial	0.2009***	0.0296	-0.0187	0.0255	-0.078	-0.122**	0.0563	0.1146**	1.0000		
Govern	0.1208**	0.1038**	0.0064	0.0201	-0.031	-0.18***	0,1230**	0.1232**	0.3557***	1.0000	
lnfirm	0.5713***	0.3597***	0.2894***	0.0521	-0.078	-0.411***	0,2249***	0.0698	0.1394***	0.1758***	1.0000

***. Correlation significant at 0.01 level (2-tailed)

**. Correlation significant at 0.05 level (2-tailed)

*. Correlation significant at 0.1 level (2-tailed)

Govern describes disclosure of non-financial information, description of other variables is given in table 4.1

From table 4.4, the correlation coefficients between the corporate governance attributes and disclosure of financial and non-financial information, are generally weak. On the analysis between independent and dependent variables, it is observed that the relationship between board size and disclosure of both financial and non-financial information is positive and significant (r = 0.2009 for disclosure of financial information and r = 0.1208 for disclosure of non-financial information). This implies that when board size increases, the level of corporate disclosure also increases. This is consistent with Barakat et al. (2015:687) that a large board could increase experience and generation of new ideas to the company on adoption and disclosure of CSR activities.

About board composition, the correlation between board composition and disclosure of non-financial information is positive and significant (r = 0.1038) at 5% level. This implies that when the proportion of non-executive directors on the board increases, disclosure of non-financial information such as information on CSR and governance also increases. In addition, empirical results show that the relationship between independent board composition and disclosure of both financial and non-financial information is weak and not significant. For audit committees, it was established that the composition of the committee (having a higher proportion of non-executive directors on the audit committee), has a positive effect on corporate disclosure, though the relationship is not significant.

Results from table 4.4 shows that: block and director ownership of shares have a negative association with corporate disclosure. Although the correlation between block shareholding and corporate disclosure is insignificant, the correlation between director shareholding and corporate disclosure is significant. These findings show that when the number of shares held by few individuals or directors increases, disclosure of corporate information reduces. This is because in such companies, information can easily be accessed by the block shareholders or directors who hold majority shares and therefore, there is no motivation for disclosing such information to other stakeholders. The results are consistent with empirical findings by Donnelly and Mulcahy (2008:422) who established that the correlation between managerial ownership of shares and corporate disclosure is negative and significant.

A correlation analysis between control variables and corporate disclosure show that the relationship between all the three control variables (leverage, profitability and firm size) and disclosure of both financial and non-financial information is positive. Although the effect of both profitability and firm size on corporate disclosure is significant, the effect of leverage is significant in disclosure of non-financial information but insignificant in disclosure of financial information. The implication of this is that as both company levels of profitability, leverage and firm size increase, disclosure of corporate information also increases.

4.4.2 Correlation analysis for listed firms in East Africa.

The correlation analysis of variables under study for listed firms in East Africa is presented in the table 4.5.

Table 4.5 Spearman correlation for listed firms in East Africa

Variables	BS	BC	CAC	Block	Director	Lev	Prof	Financial	Govern	lnfirm
BS	1.0000									
BC	0,4039***	1.0000								
CAC	0.1578	0,3131***	1.0000							
Block	-0.1647*	-0.1771*	-0.190*	1.0000						
Director	0.153	0.1961**	0.270***	-0.475***	1.0000					
Lev	-0.0685	-0.1382	0.0204	-0.1466	-0.164*	1.0000				
Prof	0.1579	-0.1886*	-0.0229	0.0352	0.0142	-0.31***	1.0000			
Financial	0.1712*	0.0918	0.0117	0.8854	0.6219	0.7682	0.1483	1.0000		
Govern	0.4254***	0,2274**	0.1085	-0.1097	0.0938	0.0566	0,1723*	0.1476	1.0000	
lnfirm	0.4759***	-0.0066	0.045	0.0438	0.0545	0,1902*	0,1754*	0,262***	0,501***	1.0000

***. Correlation significant at 0.01 level (2-tailed)

**. Correlation significant at 0.05 level (2-tailed)

*. Correlation significant at 0.1 level (2-tailed)

Where: Govern represents disclosure of non-financial information, description of variables is given in table 4.1

Results from table 4.5 show that the correlation between board size and disclosure of both financial and non-financial information is positive and significant (r = 0.1712 for disclosure of financial information and r = 0.4254 for disclosure of non-financial information). This means that when board size increases, disclosure of both financial and non-financial information also increases. Results also show that the correlation between board composition and disclosure of non-financial information is positive and significant (r = 0.2274). This implies that when the proportion of non-executive directors on corporate boards increase, disclosure of non-financial information such as governance and CSR information also increases.

The findings are supported by Sartawi, Hindawi, Bsoul and Ali (2014:69), who assert that the presence of a higher proportion of non-executive directors on the board could control agency conflicts and reduce information asymmetry by demanding for increase in disclosure of corporate information. However, results in table 4.5 further show that the relationship between board composition and disclosure of financial information is positive but not significant.

On composition of audit committees, the results in table 4.5 show that the association between audit committee composition and corporate disclosure is positive, but not significant. The findings also show that the relationship between block and director ownership of shares and corporate disclosure is not significant. On the association between control variables and corporate disclosure, the study established that all the three control variables (leverage, profitability and firm size) are positively associated with the level of corporate disclosure.

4.4.3 Correlation analysis for listed firms in Nigeria.

The analysis of the degree of association between the variables for Nigerian listed firms is presented in the table 4.6.

Table 4. 6 Spearman correlation for listed firms in Nigeria

Variables	BS	BC	CAC	Block	Director	Lev	Prof	Financial	Govern	lnfirm
BS	1.0000									
BC	-0.1115	1.0000								
CAC	-0.1502	0,4775***	1.0000							
Block	0.0444	-0.287***	-0.244**	1.0000						
Director	-0.226**	0.2491**	0.303***	-0.301***	1.0000					
Lev	-0.0822	0.0244	-0.1462	-0.0856	-0.225**	1.0000				
Prof	0.3137***	0.2204**	0,264***	-0.2004**	-0.0397	-0.297***	1.0000			
Financial	-0.073	-0.1861*	0.0538	0.1998**	0.0265	-0.096	0.1153	1.0000		
Govern	0.214**	-0.0615	-0.206**	-0.1319	-0.248**	-0.023	0.1503	-0.0157	1.0000	
lnfirm	0.5823***	-0.1207	-0.281***	0.1542	-0.222**	0.1426	0.1463	0.0715	0,3183***	1.0000

***. Correlation significant at 0,01 level (2-tailed)

**. Correlation significant at 0,05 level (2-tailed)

*. Correlation significant at 0,1 level (2-tailed)

Where: Govern represents disclosure of non-financial information, description of other variables is given in table 4.1

The correlation analysis from table 4.6 shows that the association between board size and disclosure of non-financial information is positive and significant (r = 0.214). This implies that when board size increases, disclosure of corporate information also increases. The results are consistent with the argument by Zubaidah, Nurmala and Kamaruzaman (2009:157) that larger board size means that there are more ideas and skills that can be shared among board members. These ideas are likely to lead to improvement in the way the company discloses its information, resulting in a positive association between board size and corporate disclosure.

Furthermore, the study established that board composition has a negative and significant association with disclosure of financial information (r = -0.1861). However, its association with disclosure of non-financial information is also negative but not significant. The findings are consistent with Elinda and Nazli (2012:301) that non-financial information activities such as CSR activities are not necessarily the primary concern of non-executive directors hence, explaining why the relationship between the proportion of non-executive directors on corporate boards and disclosure of information on CSR may not necessarily be statistically significant. For audit committee, the study revealed that having a higher proportion of non-executive directors on the audit committee is negative and significantly associated with disclosure of non-financial information (r = -0.206). The argument could also be that disclosure of information is not a primary concern of the audit committees. However, the correlation between a higher proportion of executive directors on the audit committee and disclosure of financial information is weak, positive (r = 0.0538) and not significant.

On block and director share ownership, the study established that block shareholding has a positive and significant association with disclosure of financial information (r = 0.1998) but its relationship with the level of disclosure of non-financial information is not significant. Results in table 4.6 further show that the association between director shareholding and disclosure of non-financial information is negative and significant at 5% level (r = -0.248). The results are supported by Nazli (2007:255) that companies where directors hold a substantial number of shares, public accountability may be less because of minimal outsiders' interests. However, the study also established that the correlation between director ownership of shares and disclosure of financial information is not significant. For control variables (firm size, profitability and leverage), it was established that firm size and profitability are positively associated with corporate disclosure while the correlation between leverage and disclosure of non-financial information is negative but not significant.

4.5 USING CORRELATION ANALYSIS TO DETECT MULTICOLLINEARITY

Multicolinearity occurs when the explanatory variables in a regression equation are correlated with one another thus having a similar piece of information about the dependent variable. Highly correlated independent variables are likely to cause adverse effects of multicollinearity on the regression estimation procedure (Aczel & Sounderpandian, 2002:568). Multicollinearity is a question of degree and not of kind, implying that in regression analysis, the issue is not about the presence or absence of multicollinearity but various degrees of its occurrence (Gujarati, 2003: 359). Although there are various methods of detecting multicollinearity, Aczel & Sounderpandian (2002:570) state that the first method is computation of a correlation matrix which helps in identifying the explanatory variables that are highly correlated with one another thus causing the problem of multicollinearity when included together in the regression equation. Similarly, Gwowen (2010:488) contends that multicollinearity can be detected through the use of simple correlation analysis and variance inflation factor. The suggested rule of thumb that describes the existence of a serious multicollinearity problem is when the pair-wise correlation coefficient between two predictor variables is in excess of 0.8 (Gujarati, 2003:359).

From the correlation matrix of South African listed companies in table 4.4 above, it is observed that the correlation coefficients between predictor variables are generally low. The higher values of correlation coefficients are: 0.571 for the association between firm size and board size, 0.3597 between firm size and board composition and 0.4831 between board composition and independent board composition. These are not strong enough to cause multicollinearity problems in regression analysis. For listed firms in East Africa, the correlation matrix given in table 4.5 shows that the highest correlation coefficients are 0.4759 for the association between firm size and board size and 0.4039 between board size and board composition. The correlation matrix of Nigerian listed firms given in table 4.6 gives the highest correlation coefficients as 0.5823 between firm size and board size and 0.4775 between the composition of audit committee and board composition. All these correlation coefficients reported for listed firms in East Africa and Nigeria are also strong enough to cause multicollinearity problems in regression analysis.

4.6 SUMMARY OF THE CHAPTER

One of the objectives of this study was to evaluate corporate governance attributes applicable for disclosure of corporate information by listed companies in developing economies. To achieve this, in this chapter, descriptive statistics (minimum, maximum, mean and percentile values) were generated and discussed with existing findings and literature in both developed and developing economies. The study established that board size of the companies was fairly large with mean values above 5 as recommended by Damagum and Chima (2013:4). The proportions of non-executive directors on corporate boards and audit committees were also higher with mean values above 0.5. In addition, the study further established that roles of CEO are separate from those of board chairpersons. These findings are consistent with the agency theory and reveal that there is a fair application of governance attributes which could influence the monitoring and operations of companies and hence lead to enhanced information disclosure.

For block ownership of shares, it was established that except for listed companies in South Africa, where the mean value was less than 0.5, the mean values for listed companies in Nigeria and East Africa were slightly above 0.5 that is 0.567 and 0.578 respectively. The proportion of director share ownership to total shareholding was low for all the listed firms in South Africa, East Africa and Nigeria, with mean values of less than 0.5. These results indicate that both block and director ownership may not exert influence on disclosure of corporate information since the proportion of their shareholdings is generally low. On the other hand, results in this chapter show that the levels of disclosure of both financial and non-financial information are generally high for listed firms in South Africa but slightly above the mean value of 0.5 in East Africa and Nigeria. This could possibly imply that the corporate governance attributes are more effective in enhancing corporate disclosure for companies listed in South Africa than those listed in East Africa and Nigeria.

Furthermore, the chapter presented and discussed normality tests which were obtained through examination of skewness and kurtosis of the variables. It was established that although data for some corporate governance attributes was not normally distributed, data for corporate disclosure was approximately normally distributed and therefore did not require any transformation for further analysis. The Spearman rank correlation analysis was carried out and established that most corporate governance attributes had a significant association with corporate disclosure and hence able to impact on how companies disclose financial and non-financial information. The correlation analysis further established that the correlation coefficients were generally low and therefore the effects of multicollinearity in regression models were minimized.

The next chapter presents the results of multiple regression analysis and interpretation of findings about disclosure of financial information. It presents a comparative analysis of corporate governance attributes with a significant effect on disclosure of financial information for listed firms in South Africa, Nigeria and East Africa.

CHAPTER FIVE

ANALYSIS AND INTERPRETATION OF FINDINGS ON EFFECT OF CORPORATE GOVENANCE ON DISCLOSURE OF FINANCIAL INFORMATION

5.1 INTRODUCTION

This chapter presents the interpretation and discussion of empirical tests and results of the study obtained using random effects multiple regression analysis of the effectiveness of corporate governance attributes on disclosure of financial information by listed companies. A comparative analysis was carried out for selected stock markets in Sub-Saharan Africa, that is, listed companies in South Africa, Nigeria and East Africa. The analysis in this chapter was carried out to obtain findings on research question ii given in section 1.3 of chapter one about examining the effect of corporate governance attributes on disclosure of financial information by listed companies in developing economies. The chapter starts with interpretation of results from full regression models predicting the impact of all corporate governance attributes and control variables on disclosure of corporate information, followed by results of the best regression models obtained through the model reduction process where the best explanatory variables were carefully selected.

5.2 EFFECT OF CORPORATE GOVERNANCE ATTRIBUTES ON DISCLOSURE OF FINANCIAL INFORMATION

The details are presented in tables 5.1, 5.2 and 5.3 below.

Table 5. 1: Full model of Multiple Regression analysis (One-tailed test) for disclosure of financial information for listed firms in South Africa

Random - effect ML regression			Number of obs = 380	
Group variable: id			Number of groups = 95	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 341.375			LR chi2(13) = 35.06	
			Prob > chi2 = 0.0008	
Financial	**Coefficient**	**Standard Error**	**T stat**	**p value**
Year				
2011	-0.0114	0.0131	-0.87	0.192
2012	-0.0382	0.0132	-2.9	0.002
2013	-0.0134	0.0135	-0.99	0.161
CEO Non duality	**0.1257**	**0.0437**	**2.88**	**0.002**
Board size	**0.0054**	**0.0027**	**1.97**	**0.0245**
Board composition	-0.0363	0.065	-0.56	0.288
Independent board composition	-0.0103	0.0471	-0.22	0.4135
Composition of Audt committee	0.0762	0.119	0.64	0.261
Block ownership	**-0.0517**	**0.0322**	**-1.61**	**0.054**
Director ownership	**-0.0662**	**0.0405**	**-1.64**	**0.051**
Natural log. Firm size	-0.0011	0.0049	-0.22	0.414
Leverage	**0.0503**	**0.038**	**1.32**	**0.093**
Profitability	**0.1005**	**0.0577**	**1.74**	**0.0405**
Constant	0.5458	0.1624	3.36	0.0005
/sigma_u	0.0479	0.0069		
/sigma_e	0.0896	0.0038		
rho	0.2223	0.0553		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 22.35 prob>=chibar2 = 0.000				

One-tailed test, where Financial represents: disclosure of financial information; CEO non duality: dummy variable indicating separation of roles of CEO and the chairperson of board of directors coded one, otherwise zero; Board size: Total number of directors on the board; Board composition: proportion of non executive directors to total number of directors on the board; Independent board composition: Proportion of independent non executive directors to total number of directors on the board; Composition of audit committee: propotion of non executive directors to total number of directors on the audit committee; Block ownership: proportion of shares held by shareholders with atleast 5% of total company shareholding; Director ownership: proportion of shares held by directors; Firm size: Book value of total assets; Leverage: Ratio of total debt to total assets; Profitability: Ratio of earnings before interest and tax to total assets.

Table 5. 2: Full model of Multiple Regression analysis (One-tailed test) on disclosure of financial information for data from listed firms in Nigeria

Random - effect ML regression			Number of obs = 100	
Group variable: id			Number of groups = 25	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 72.623			LR chi2(12) = 17.95	
			Prob > chi2 = 0.1171	
Financial	**Coefficient**	**Standard Error**	**T stat**	**p value**
Year				
2011	-0.0352	0.0342	-1.03	0.151
2012	-0.0226	0.0345	-0.66	0.2555
2013	-0.0337	0.0363	-0.93	0.1765
CEO Non duality	**0.1082**	**0.0545**	**1.98**	**0.0235**
Board size	-0.0088	0.0072	-1.22	0.1105
Board composition	**-0.1655**	**0.1188**	**-1.39**	**0.082**
Composition of Audt committee	0.0453	0.1359	0.33	0.3695
Block ownership	**0.1192**	**0.0892**	**1.34**	**0.091**
Director ownership	0.1847	0.1559	1.18	0.118
Natural log. Firm size	**0.0162**	**0.00855**	**1.89**	**0.029**
Leverage	-0.0788	0.08155	-0.97	0.167
Profitability	-0.0204	0.1282	-0.16	0.437
Constant	0.2673	0.217	1.23	0.109
/sigma_u	0	0.0659		
/sigma_e	0.11705	0.0083		
rho	0	(omitted)		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 0.00 prob>=chibar2 = 1.000				

One-tailed test, where: Financial: disclosure of financial information; CEO non duality: dummy variable indicating separation of roles of CEO and the chairperson of board of directors coded one, otherwise zero; Board size: Total number of directors on the board; Board composition: proportion of non executive directors to total number of directors on the board; Composition of audit committee: propotion of non executive directors to total number of directors on the audit committee; Block ownership: proportion of shares held by shareholders with atleast 5% of total company shareholding; Director ownership: proportion of shares held by directors; Firm size: Book value of total assets; Leverage: Ratio of total debt to total assets; Profitability: Ratio of earnings before interest and tax to total assets

Table 5. 3: Full Regression model (One-tailed test) for disclosure of financial information from listed firms in East Africa

Random - effect ML regression			Number of obs = 104	
Group variable: id			Number of groups = 26	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 74.798			LR chi2(12) = 14.97	
			Prob > chi2 = 0.2432	
Financial	**Coefficient**	**Standard Error**	**T stat**	**p value**
Year				
2011	0.02556	0.03314	0.77	0.2205
2012	0.00819	0.03284	0.25	0.4015
2013	-0.0284	0.03313	-0.86	0.1955
CEO Non duality	0.07514	0.09152	0.82	0.206
Board size	0.00503	0.00629	0.8	0.212
Board composition	-0.3175	0.15182	-0.21	0.417
Composition of Audit committee	0.01731	0.11958	0.14	0.4425
Block ownership	-0.04611	0.09076	-0.51	0.3055
Director ownership	-0.1556	0.16124	-0.96	0.1675
Leverage	-0.03809	0.07339	-0.52	0.302
Profitability	0.1099	0.14683	0.07	0.47
Natural log. Firm size	**0.02409**	**0.00927**	**2.6**	**0.0045**
Constant	-0.0493	0.2369	-0.21	0.4175
/sigma_u	0	(omitted)		
/sigma_e	0.11787	0.008173	0.1029	0.13503
rho	0	(omitted)		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 0.00 prob>=chibar2 = 1.000				

One-tailed test, where: Financial represents: disclosure of financial information; other variables are arleady described in table 5.1

The panel data analysis was carried out using data for a period of four years from 2010 to 2013. The year 2010 is not indicated in tables 5.1, 5.2 and 5.3 because it was used as a reference point (base year) during analysis. Results in table 5.1 show that for listed firms in South Africa, there was a statistically significant reduction in the mean value of disclosure of financial information by 3.82% from 2010 to 2012 (p value = 0.002). The average values of disclosure of financial information in 2011 and 2013 were not statistically significantly different from the value of 2010 as indicated by the p value =0.192 and p value = 0.161 respectively. The regression model is statistically significant LR test (d.f.=7)= 35.06 and p value =0.0008. For listed firms in Nigeria, results in table 5.2 show that the regression model is generally weak with a level of statistical significance slightly above 10% (p value = 0.1171). Results from the model show that the mean value of disclosure of financial information reduced by 3.52% in 2011, 2.26% in 2012 and 3.37% in 2013 from the value of the year 2010. However, these changes were not statistically siginicantly different from the mean value of 2010. For East Africa, regression model is not statistically significant (p value = 0.2432) and therefore, there is no sufficient evidence to examine the influence of the variables given in the model on disclosure of financial information. A comparative analysis and interpretation of significant results of regression analysis is presented from section 5.2.1 to 5.2.6.

5.2.1 Effect of CEO non-duality on disclosure of financial information

Results from tables 5.1, 5.2 and 5.3 show that CEO non-duality has a positive and statistically significant influence on disclosure of financial information for listed companies in South Africa and Nigeria. However, results for listed firms in East Africa are not statistically significant. For South Africa, The coefficient of CEO non-duality is positive ($\beta = 0.1257$) and statistically significant at 1% level (P value = 0.002). This implies that on average, when company roles of the chief executive officer are separate from those of the chairperson of the board of directors, the level of disclosure of financial information increases by 12.57%. This is because separation of roles of the chairperson of the board of directors from those of the chief executive officer give the former independent powers to effectively monitor the operations of the company and ensure that corporate financial information is disclosed to all the stakeholders. Similarly, for listed firms in Nigeria, the coefficient of CEO non-duality is positive ($\beta = 0.1082$), and statistically significant at 5% level(P value = 0.0235).

Based on these findings, the null hypothesis 3.3.1a is rejected. The findings are consistent with emprical evidence by Rouf (2010:7847) from the Dhaka Stock Exchange in Bangladesh, Olanyika (2010:165) from Nigeria Stock Exchange, Adelopo (2011:342) on voluntary disclosure practices amongst listed companies in Nigeria and Cormier et al. (2010:583) on corporate governance and information asymmetry for Canadian firms cross-listed in USA. They all established that separation of roles of CEO from those of the board chairperson has a statistical significant influence on performance and disclosure of corporate information. Olanyike (2010:158) further asserts that separation of duties leads to avoidance of CEO entrenchment in company operations, increased effectiveness in board monitoring and establishment of independence between the board of directors and corporate management.

The findings are also consistent with Htay (2012:120) who assert that the independence of the board attained by separating leadership roles will put pressure on management led by the CEO in disclosing corporate information. They are further supported by Soliman and Ragab, (2013:5) who state that to make the board of directors more independent and effective in monitoring company operations, the chairman of the board should not be the same person acting as the company CEO.

Furthermore, separation of duties between the company chairperson and chief executive officer is also currently a requirement for all companies listed on Johannesburg Securities Exchange in South Africa as recommended by the King III Report (2009:12). It is also argued that since one of the board's most important roles is to oversee performance of corporate top management, allowing the CEO to also serve as chairperson of the board of directors compromises the desired system of checks and balances and clearly represents a conflict of interest (Cerbioni and Parbonetti, 2008:799). Hence, a need to ensure that the roles of the two officers are separate.

5.2.2 Effect of board size on disclosure of financial information

The results of the regression analysis from table 5.1, shows that for listed firms in South Africa, board size has a positive significant influence on disclosure of financial information at 5% level (β = 0.0054, P value = 0.0245). The findings imply that increase in board size leads to a significant increase in the level of disclosure of financial information, hence the null hypothesis 3.3.2a is rejected. However, results from tables 5.2 and 5.3 show that for listed firms in Nigeria and East Africa, the influence of board size on financial disclosure is not statistically significant. For South Africa, results are consistent with findings by Allegrin (2011:206) and Htay et al. (2012:204) which revealed that companies with large size of board of directors disclose more financial information than companies with small boards. In addition, a study by Kent and Stewart (2008:666) on corporate governance and disclosure established that board size has a positive significant influence on corporate disclosure.

Furthermore, consistent with the findings, empirical results by Akhtarudin et al (2009: 13) who carried out a study on corporate governance and voluntary disclosure in corporate annual reports of Malaysian listed firms, show that increase in board size had a positive statistical significant influence on corporate disclosure at 1% level. The argument for this is that the size of the board is believed to bring to the company different people with varied skills which positively affect the ablility of the board to evaluate corporate managerial performance. Hence, large board size increases the collective experience and expertise for corporate boards, which ulitimately leads to faster information processing and disclosure (Akhtarudin et al, 2009: 4).

5.2.3 Effect of block ownership of shares on disclosure of financial information.

Emprical findings in tables 5.1 and 5.2, show that the effect of block ownership of shares on discosure of financial information is negative and significant for listed firms in South Africa (p value = 0.054) and postive and significant for listed firms in Nigeria (p value = 0.091). However, the findings in table 5.3 reveal that block ownership of shares has no siginficant effect on disclosure of financial information for listed firms in East Africa. For results from listed firms in South Africa, the coefficient($\beta = -0.0517$) shows a negative influence on disclosure of financial information. This implies that a unit percentage increase in block share ownership results in a 5.17% decrease in disclosure of financial information. The implication of these findings is that where there are few individuals with majority shareholding, disclosure of financial information is low compared to companies where shareholding is widely spread. The argument for this is that firms with block share ownership tend to disclose less information because shareholders can easily access the required information internally.

On the other hand, in corporations where ownership of shares is widely spread, disclosure of information tends to be higher. In such corporations, increased disclosure is because of the potential conflicts between the principals and agents, which are higher for companies whose share ownership is more widely spread than in more closely held companies or companies with block or concentrated share ownership (Kanga and Gray, 2011:406). This is in line with the agency theory, which supports increased disclosure of corporate information in order to avoid conflicts between shareholders and corporate managers. However, empirical results from Nigeria contradict this assertion and instead show that block shareownership leads to increase in disclosure of listed companies

The findings of this study for listed firms in South Africa, are consistent with a study by Barako (2007:124) on listed companies in Kenya (East Africa) which established that block share ownership (Ownership concentration) has a negative influence on disclosure of financial information. In addition, Akhtaruddin et al. (2009:20) and Ezat and El-Masry (2008:853) assert that companies whose shareholding is widely spread disclose more financial information than those with block ownership of shares. However, emprical results by Chakib (2012:60) from Tunisian listed companies in North Africa show that ownership structure has no influence on corporate disclosure. The argument given for this was that almost 80% of Tunisian listed companies are small and medium enterprises which lack enough financial and human resources to adopt a well developed disclosure policy.

5.2.4 Effect of director ownership of shares on disclosure of financial information.

For listed firms in South Africa, empirical results from table 5.1 show that director ownership of shares has a negative statistical significant effect on disclosure of financial information at 10% level (P value = 0.051). However, the coefficient ($\beta = -0.0662$) indicates a negative effect, which implies that holding other explanatory variables constant, a unit percentage increase in director ownership of shares results in 6.62% decrease in disclosure of financial information. The implication of this is that in companies where directors own more shares, they tend to hold financial information to themselves so that they can benefit from it instead of disclosing it to other stakeholders. For listed firms in Nigeria and East Africa, findings in tables 5.2 and 5.3 did not establish any significant effect. Hence, there is no sufficient evidence to conclude that director ownership of shares significantly influence disclosure of financial information.

The findings from listed firms in South Africa are supported by Htay et al. (2012:200) who argue that directors who have substantial amounts of ownership might not want to disclose information to outsiders because they can use their discretionary powers to spend company resources in a way that serves their own interests and at the expense of other shareholders. The negative significant influence of director ownership on corporate disclosure is also consistent with findings of the study by Nazli (2007:260) on Malaysian firms, which established that companies in which the executive and non-independent directors hold a higher proportion of shares, disclose less information in their annual reports. However, the results are inconsistent with findings by Donnelly and Mulcahy (2008:423) and Roshima et al (2009:226), which did not establish any siginicant relationship between managerial (executive director) share ownership and corporate disclosure.

5.2.5 Effect of board composition on disclosure of financial information

Results in table 5.2 show that for listed firms in Nigeria, board composition has a moderate negative significant effect on disclosure of financial information at 10% level, (β = -0.1655, p-value = 0.08). The implication of this is that companies with a higher proportion of non-executive directors on the board disclose less information. The results contradict the agency theory which encourages companies to have a higher percentage of non-exective directors on the board to enhance monitoring of company operations, reduce agency conficts and enhance corporate disclosure. Findings in tables 5.1 and 5.3 show that for listed firms in South Africa and East Africa, the influence of board composition on disclosure of financial information is not statistically significant.

5.2.6 Effect of control variables on disclosure of financial information

In this study, control variables include profitability, firm size and leverage. The findings in table 5.1 reveal that for listed firms in South Africa, profitability has a positive significant influence on the disclosure of financial information (P value = 0.0405) at 5% level. However, the findings in tables 5.2 and 5.3 show that for listed firms in Nigeria and East Africa, the effect of profitability on disclosure of financial information is not significant. The findings also show that for listed firms in South Africa, leverage has a moderate positive significant effect on the disclosure of financial information (β = 0.0503, p-value = 0.093). This implies that in companies where the ratio of total debt to total assets is high, lenders enhance activities that deal with the monitoring of company operations, thus demanding for an increase in disclosure of corporate information. The results are consistent with findings by Laivi (2009:31) who established that leverage has a positive influence on disclosure quality. They are also supported by Desoky and Mousa (2012:55), who assert that corporate management normally increases disclosure of financial information for monitoring purposes and to assure lenders about the company's ability to meet its obligations.

Empirical results from listed firms in South Africa indicate that a unit percentage increase in the level of company profitability results into a 10.05% increase in the level of disclosure of financial information. The implications of the findings are that companies that consistently make profits will be motivated to disclose financial information so as to attract new investors. The managers of such companies are also motivated to work harder and negotiate for higher remuneration packages. The research findings obtained from listed firms in South Africa are consistent with empirical results by Barros (2013:571), who established that profitability has a positive significant influence on corporate disclosure. They are also supported by Ferreira et al. (2012:283) who state that profitable firms have incentives for corporate disclosure in order to screen themselves from less profitable firms. Furthermore, according to Isabel et al. (2011:482), when high profitability levels are achieved, companies are motivated to disclose more information so as to stand out from other less successful firms, acquire funds from the investors at low costs and avoid any reduction in stock prices.

About firm size, the results in tables 5.2 and 5.3 show that it has a positive statistical significant influence on disclosure of financial information for listed firms in Nigeria and East Africa. However, results from listed firms in South Africa shown in 5.1 established that firm size has no significant effect on disclosure of financial information. For listed firms in Nigeria, the coefficient $\beta = 0.01618$ with p value = 0.029, which implies that on average, a unit per cent increase in firm size leads to a 1.62% increase in disclosure of financial information. Furthermore, for listed firms in East Africa, the coefficient $\beta = 0.02409$ with p value = 0.0045 implies that on average, a unit per cent increase in firm size leads to a 2.41% increase in disclosure of financial information. The findings are consistent with empirical results by Desoky and Mousa (2012:66) from the Egyptian exchange; Allegrini and Greco (2013:206) from Italian listed companies and Kabiri (2014:330) from public listed companies in Nigeria, who established that firm size has a statistical significant influence on financial transparency and disclosure.

The results are also supported by Frily & Mekel (2014:1541) who assert that large companies disclose more information to reduce agency costs and Isabel et al. (2010:481) who argue that large companies suffer from conflicts of interest between shareholders, debt holders and managers and as such, disclosure of financial information is used as one of the ways to reduce information asymmetries.

The results in tables 5.2 and 5.3 shows that for listed firms in Nigeria and East Africa, the effect of leverage on disclosure of financial information is not statistically significant.

After regression analysis using full models, further analysis was carried out where best regression models were obtained through the model reduction process. This was done by eliminating variables that were not significant to remain with significant variables in the model. Results from this analysis are presented in tables 5.4, 5.5 and 5.6.

Table 5. 4: Best regression model (one-tailed test) for disclosure of financial information for listed firms in South Africa

Random - effect ML regression			Number of obs = 380	
Group variable: id			Number of groups = 95	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 338.816			LR chi2 (7) = 29.94	
			Prob > chi2 = 0.0001	
Financial	**coefficient**	**Standard Error**	**T stat**	**P value**
Year				
2011	-0.0114	0.0131	-0.87	0.192
2012	-0.0377	0.0131	-2.88	0.002
2013	-0.0128	0.0132	-0.97	0.165
CEO non duality	**0.1227**	**0.0437**	**2.81**	**0.0025**
Board size	**0.00595**	**0.0024**	**2.52**	**0.006**
profitability	**0.1108**	**0.0577**	**1.92**	**0.0275**
leverage	**0.0605**	**0.0368**	**1.64**	**0.0505**
constant	**0.5269**	**0.0535**	**9.85**	**0**
/sigma_u	0.04896	0.0068		
/sigma_e	0.08997	0.0038		
rho	0.2285	0.0549		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 23.94 prob>=chibar2 = 0.000				

One-tailed test, where Financial represents: disclosure of financial information; CEO non duality: dummy variable indicating separation of roles of CEO and the chairperson of board of directors coded one, otherwise zero; Board size: Total number of directors on the board; Profitability: Ratio of earnings before interest and tax to total assets; Leverage: Ratio of total debt to total assets.

Table 5.5: Best Regression model (one-tailed test) for disclosure of financial information from listed firms in Nigeria

Random - effect ML regression			Number of obs = 100	
Group variable: id			Number of groups = 25	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 68.5414			LR chi2(5) = 9.03	
			Prob > chi2 = 0.1018	
Financial	**coefficient**	**Standard Error**	**T stat**	**P value**
Year				
2011	-0.02475	0.0334	-0.74	0.2295
2012	-0.01171	0.0334	-0.35	0.363
2013	-0.00908	0.034	-0.27	0.3945
CEO non duality	**0.09987**	**0.04559**	**2.19**	**0.014**
Block ownership	**0.1439**	**0.07641**	**1.88**	**0.03**
constant	**0.4366**	**0.0635**	**6.88**	**0**
/sigma_u	0.0321	0.02198		
/sigma_e	0.11804	0.00966		
rho	0.0687	0.09256		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 0.64 prob>=chibar2 = 0.212				

One-tailed test, Where: Financial represents disclosure of financial information; CEO non-duality: dummy variable indicating separation of roles of CEO and the chairperson of board of directors coded one, otherwise zero; Block ownership: proportion of shares held by shareholders with atleast 5% of total company shareholding.

Table 5. 6: Best regression model (0ne-tailed test) for disclosure of financial information from listed firms in East Africa

Random - effect ML regression			Number of obs = 104	
Group variable: id			Number of groups = 26	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 73.20505			LR chi2 (4) = 10.83	
			Prob > chi2 = 0.0285	
Financial	**coefficient**	**Standard Error**	**T stat**	**P value**
Year				
2011	0.02918	0.03247	0.9	0.1845
2012	0.008415	0.0325	0.26	0.398
2013	-0.02592	0.0326	-0.8	0.213
Natural log. Firm size	**0.02503**	**0.00815**	**3.07**	**0.001**
constant	-0.0165	0.18836	-0.09	0.465
/sigma_u	0.02616	0.02433		
/sigma_e	0.117	0.00938		
rho	0.0476	0.08777		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 0.33 prob>=chibar2 = 0.283				

One-tailed test, where: Financial represents disclosure of financial information; Firm size: Book value of total assets.

Like full model regression analysis given in tables 5.1, 5.2 and 5.3, the panel data analysis for the best regression models was carried out using data for a period of four years from 2010 to 2013. The year 2010 is not indicated in tables of analysis because it was used as a reference point (base year). All the best models were statistically significant, that is: LR test (d.f.=7) = 29.94 , p value =0.0001 for listed firms in South Africa shown in table 5.4; LR test (d.f.=5) = 9.03, p value = 0.1018 for listed firms in Nigeria shown in table 5.5 and LR test (d.f = 4) = 10.83, p value = 0.0285 for listed firms in East Africa shown in table 5.6 . The significance of these models implies that there was sufficient evidence to predict the effect of the variables given in the models on disclosure of financial information. All the significant variables shown in the best models of panel data regression analysis have been discussed in sections 5.2.1 to 5.2.6.

5.3 SUMMARY OF THE CHAPTER

This chapter covered a comparative analysis and interpretation of empirical results on the effect of corporate governance attributes on disclosure of financial information for listed companies in Sub-Saharan Africa with a focus on listed companies in South Africa, Nigeria and East Africa. The chapter first discussed the random effects multiple regression analysis of findings obtained using full models followed by the best models obtained through elimination of variables that are not significant. The findings show that for both listed firms in South Africa and Nigeria, CEO non-duality has a positive significant influence on disclosure of financial information. This implies that companies with separate roles of chief executive officers and chairman board of directors disclose more financial information.

For listed firms in South Africa, it was further established that board size, profitability and leverage have a positive significant influence on disclosure of financial information. This is because companies with a big board size normally have a variety of directors with specialised skills, experience and professional expertise who are able to effectively monitor company operations and encourage companies to disclose more information. In addition, profitable firms tend to disclose more financial information to signal good performance while leverage encourages lenders to increase activities that enhance monitoring of company operations to safeguard the funds invested in the company.

The findings also revealed that for listed firms in South Africa, block and director ownership of shares have a negative significant effect on disclosure of financial information. However, it was further revealed that for listed firms in Nigeria, the influence of block ownership of shares on financial disclosure is positive and significant. Empirical findings in this chapter also established that for listed firms in Nigeria and East Africa, firm size has a positive significant effect on the disclosure of financial information.

The next chapter presents a comparative analysis and interpretation of empirical results on the effect of corporate governance attributes on disclosure of non-financial information for listed firms in South Africa, Nigeria and East Africa.

CHAPTER SIX

ANALYSIS AND INTERPRETATION OF FINDINGS ON EFFECT OF CORPORATE GOVERNANCE ON DISCLOSURE OF NON-FINANCIAL INFORMATION

6.1 INTRODUCTION

This chapter presents empirical tests and results of the study obtained using random effects multiple regression analysis of the effectiveness of corporate governance attributes on disclosure of non-financial information by listed companies. A comparative analysis was carried out for selected stock markets in Sub- Saharan Africa, covering listed companies in South Africa, Nigeria and East Africa. The chapter presents findings of research question iii given in section 1.3 of chapter one about examining the effect of corporate governance attributes on disclosure of non-financial information in developing economies. In this chapter, the analysis starts with full regression models predicting the impact of all corporate governance attributes and control variables on disclosure of non-financial information, followed by the best regression models obtained through step wise regression analysis where the best explanatory variables were carefully selected.

6.2 EFFECT OF CORPORATE GOVERNANCE ATTRIBUTES ON DISCLOSURE OF NON-FINANCIAL INFORMATION

The results are presented in tables 6.1, 6.2 and 6.3

Table 6.1: Full model of Multiple Regression analysis (One-tailed test) for disclosure of non-financial Information from listed firms in South Africa

Random - effect ML regression			Number of obs = 380	
Group variable: id			Number of groups = 95	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 454.0366			LR chi2(13) = 67.4	
			Prob > chi2 = 0.0000	
Non-financial	**Coefficient**	**Standard Error**	**T stat**	**p value**
Year				
2011	0.0293	0.00949	3.09	0.001
2012	0.0291	0.00955	3.04	0.01
2013	-0.0251	0.00984	-2.56	0.0055
CEO Non duality	**0.0478**	**0.0326**	**1.47**	**0.0715**
Board size	-0.0017	0.0021	-0.81	0.208
Board composition	**0.0927**	**0.0502**	**1.85**	**0.0325**
Independent board composition	**0.0729**	**0.0359**	**2.03**	**0.021**
Composition of Audt committee	-0.1076	0.0877	-1.23	0.11
Block ownership	**-0.0695**	**0.0245**	**-2.84**	**0.0025**
Director ownership	**-0.0892**	**0.0314**	**-2.84**	**0.0025**
Leverage	**0.0395**	**0.0299**	**1.32**	**0.093**
Profitability	**0.0674**	**0.0444**	**1.52**	**0.0645**
Natural log. Firm size	0.0037	0.0038	0.97	0.1665
Constant	**0.778**	**0.1225**	**6.35**	**0**
/sigma_u	0.0422	0.005		
/sigma_e	0.0647	0.0027		
rho	0.2983	0.0567		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 38.77 prob>=chibar2 = 0.000				

One-tailed test, where: Non-financial is disclosure of information of non-financial information; other variables are defined in table 5.1

Table 6. 2: Full model of multiple regression analysis (one-tailed test) for disclosure of non-financial information from listed firms in Nigeria

Random - effect ML regression			Number of obs = 100	
Group variable: id			Number of groups = 25	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 96.81345			LR chi2(12) = 15.95	
			Prob > chi2 = 0.1937	
Non-financial	**Coefficient**	**Standard Error**	**T stat**	**p value**
Year				
2011	-0.01269	0.023518	-0.54	0.2945
2012	-0.002397	0.023995	-0.1	0.46
2013	-0.007759	0.026251	-0.3	0.384
CEO Non duality	**-0.0893**	**0.04866**	**-1.83**	**0.0335**
Board size	**0.0163**	**0.00733**	**2.23**	**0.013**
Board composition	-0.0664	0.1136	-0.58	0.2795
Composition of Audt committee	-0.03215	0.1152	-0.28	0.39
Block ownership	0.03309	0.07944	0.42	0.3385
Director ownership	**0.21055**	**0.1644**	**1.28**	**0.1**
Natural log. Firm size	0.00072	0.00722	0.1	4605
Leverage	0.06941	0.0818	0.85	0.198
Profitability	0.1269	0.1112	1.14	0.127
Contant	**0.5846**	**0.21204**	**2.76**	**0.003**
/sigma_u	0.06087	0.0157		
/sigma_e	0.07892	0.00698		
rho	0.373	0.14113		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 9.42 prob>=chibar2 = 0.001				

One-tailed test, where: Non-financial represents disclosure of non-financial information; other variables are defined in table 5.1

Table 6. 3: Full model of Multiple Regression analysis (One-tailed test) for disclosure of non-financial information using data from East Africa

Random - effect ML regression			Number of obs = 104	
Group variable: id			Number of groups = 26	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 99.7425			LR chi2(12) = 18.35	
			Prob > chi2 = 0.1005	
Non-Financial	**Coefficient**	**Standard Error**	**T stat**	**p value**
Year				
2011	-0.01071	0.02294	-0.47	0.3205
2012	-0.00315	0.02263	-0.14	0.4445
2013	-0.03243	0.02312	-1.4	0.0805
CEO Non duality	**0.1178**	**0.07711**	**1.53**	**0.063**
Board size	0.00344	0.0062	0.56	0.2895
Board composition	**0.26375**	**0.15424**	**1.71**	**0.0415**
Composition of Audit committee	-0.03614	0.11608	-0.31	0.378
Block ownership	-0.05284	0.07844	-0.67	0.2505
Director ownership	0.08158	0.16353	0.5	0.309
Leverage	0.07752	0.07416	1.05	0.148
Profitability	0.14689	0.13242	1.11	0.1335
Natural log. Firm size	**0.02234**	**0.00987**	**2.26**	**0.012**
Constant	-0.15603	0.25756	-0.61	0.2725
/sigma_u	0.05685	0.01457		
/sigma_e	0.08092	0.00687		
rho	0.33046	0.13093		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 9.2 prob>=chibar2 = 0.001				

One tailed test, where: Non-financial represents disclosure of non-financial information; other variables are defined in table 5.1

For listed firms in South Africa, the regression model in Table 6.1 shows that the mean value of disclosure of non-financial information increased by 2.93% and 2.91% in 2011 and 2012 respectively, from the mean value of 2010. The period 2010 is used as a base year and therefore does not appear in the information given in the model. In 2013, the mean disclosure of non-financial information decreased by 2.5% from that of 2010. Throughout the period of study, the change in disclosure levels of non-financial information was statistically significant with p values of 0.001, 0.01 and 0.0055 for the years 2011, 2012 and 2013 respectively. The regression model is significant LR test (d.f.=13) = 67.40 and p value =0.0000 implying that there is sufficient data to evaluate the effect of the variables included in the model on disclosure of non-financial information.

For listed firms in Nigeria, the regression model shown in table 6.2 is not statistically significant (p value = 0.1937) and the changes in the mean values of disclosure of non-financial information over the study period are not statistically significant as shown by the p values; 0.2945 for 2011, 0.46 for 2012 and 0.384 for 2013. The implication of the model is that there is no sufficient evidence to predict the linearity relationship between the explanatory variables (CEO non-duality, board composition, composition of audit committee, block ownership, director ownership, firm size, leverage and profitability) and the dependent variable (disclosure of non-financial information).

For listed firms in East Africa, the regression model given in table 6.3 is moderately statistically significant at 10% level (p value = 0.1005) and therefore provides evidence to evaluate variables included in the model. The changes in the mean values of disclosure of non-financial information over the study period are not statistically significant as shown by the p values: 0.3205 for 2011, 0.4445 for 2012 and 0.0805 for 2013. A comparative analysis and interpretation of statistically significant findings of full regression models in tables 6.1, 6.2, and 6.3 is given from section 6.2.1 to 6.2.6

6.2.1 Effect of CEO non-duality on disclosure of non-financial information.

Empirical results in tables 6.1 and 6.3 show that for listed firms in Souh Africa and East Africa, CEO non-duality has a moderate positive statistical significant effect on disclosure of non-financial information. The Beta coefficents and p values are ($\beta = 0.0478$, p value = 0.0715) for listed firms in South Africa and ($\beta = 0.1178$, p value = 0.063) for listed firms in East Africa . The implication of this is that companies which separate roles of the chief executive officer from those held by the chairman board of directors, disclose more non-financial information.

For listed firms in Nigeria, the results in table 6.2 show that CEO non-duality has a negative statistical significant influence on disclosure of non-financial information ($\beta = -0.0893$, p value = 0.0335). The findings from listed firms in Nigeria imply that separating the roles of chief executive officer from those of chairperson board of directors, results in a decrease in the level of disclosure of non-financial information by 8.93%.

Empirical results from listed firms in Nigeria are consistent with findings by Khaled et al. (2012:9) on companies listed on the Egyptian Stock Exchange, but are inconsistent with Allegrini and Greco (2013:206), who established that combining the roles of the two officers would instead result in a negative statistical significant influence on disclosure of corporate information. In addition, an empirical study by Jing et al. (2011:152) established that combining the roles of CEO and board chairman has no significant influence on corporate disclosure.

6.2.2 Effect of board composition on disclosure of non-financial information

Results from table 6.1 show that for listed firms in South Africa, the effect of both board composition and independent board composition on disclosure of non-financial information, is positive and statistically significant at 5% level (p values = 0.0325 and 0.021 for board composition and independent board composition respectively). The coefficient of board composition is 0.09272 which implies that on average, a unit increase in the proportion of non-executive directors to total number of board of directors results in a 9.27% increase in disclosure of non-financial information. Similary, the coefficient of independent board composition is 0.0729, implying that on average, a unit increase in the proportion of independent non-executive directors on the board, leads to a 7.29% increase in the level of disclosure of non-financial information. For listed firms in East Africa, the results in table 6.3 also show that the effect of board composition is positive and statistically significant ($\beta = 0.22532$, P value = 0.0415) while for listed firms in Nigeria, the study revealed that the effect of board composition on disclosure of non-financial information is not significant.

The findings from South Africa and East Africa support hypothesis 3.3.3b and are consistent with studies by Akhtaruddin et al (2009:13); Allegrini (2013:192) and Htay et al. (2012:202) who established that a higher percentage of independent non-executive directors on the board results in a statistically significant increase in disclosure of corporate information. The results are also supported by emprical evidence (Rouf, 2011:7844) that a higher proportion of independent non-executive directors results in a positive significant increase in disclosure of CSR information. Furthermore, consistent with the findings, Stefanescu (2013:129) argues that having a higher prorportion of non-executive directors on the board would result in better monitoring of company activities, increase transparency and disclosure of corporate information and limit managerial opportunism. From the findings, it is clear that for a board of directors to be effective and enhance the disclosure of corporate information, the proportion of non-executive directors on the board should be higher.

6.2.3 Effect of block ownership on disclosure of non-financial information.

Findings in table 6.1 show that for listed firms in Souh Africa, block ownership of shares significantly influences the level of disclosure of non-financial information (β = -0.0695, p value = 0.0025). The results imply that an increase in block ownership of shares by 1% results in a 6.95% decrease in the level of disclosure of non-financial information. For listed firms in Nigeria and East Africa, the results in tables 6.2 and 6.3 show that the influence of block ownership of shares on disclosure of non-financial information is not significant. The implication of the findings is that companies with a substantial number of shares held by few shareholders, disclose less non-financial information.

The results are consistent with empirical findings by Samaha et al. (2012:176) who carried out a study on the extent of corporate governance disclosures for Egyptian listed companies. They are further supported by Khan et al. (2012:211) who argue that in block or concentrated share ownership, public accountability is limited because of there being few outside shareholders, while companies with spread share ownership are expected to have more pressure to disclose more information due to visibility and accountability issues resulting from a large number of stakeholders. The findings are however inconsistent with emprical results by Roshima et al (2009:222) who established that block ownership of shares has a positive significant effect on disclosure of CSR information. Also Chakib (2012:60) carried out a study from a sample of 52 listed Tunisian firms and established that the owneship structure of a firm does not affect its disclosure of corporate information.

6.2.4 Effect of director ownership on disclosure of non-financial information

Empirical results given in tables 6.1 and 6.2 show that for listed firms in South Africa and Nigeria, director share ownership influences significantly the level of disclosure of non-financial information at 1% level and 10% level respectively. The Beta coefficients and p values are (β = -0.0892, p value = 0.0025 for listed firms in South Africa) and (β = 0.21055, p value = 0.1 for listed firms in Nigeria). The results imply that for listed firms in East Africa, a unit percentage increase in director share ownership reduces disclosure of non-financial information by 8.92%. For listed firms in Nigeria, the implication of the findings is that for a unit increase in director ownership of shares, disclosure of non-financial information increases by 21%.

The study findings for listed firms in South Africa are consistent with emprical results by Rouf (2011:7832) and Nazli (2007:259) which revealed that companies in which executive and non-executive directors held a higher proportion of shares disclose significantly less CSR information in their annual reports. However, the findings are inconistent with results by Donnelly and Mulachy (2008:423) on a study of 51 companies listed on the Irish stock market that revealed that managerial/director ownership has no effect on corporate disclosure.

Findings obtained from listed firms in Nigeria are conistent with results of the study by Haiyan and Ahsan (2009:298) who carried out a panel data regression analysis on a sample of New Zealand listed companies and established that high levels of managerial (executive directors) controlled ownership stucture have a positive effect on voluntary corporate disclosure. The argument for this is that in the operations of financial markets, the increase in share prices as a result of greater corporate disclosure, benefits controlling managerial shareholders. This is because increased share prices result in company growth, which enhances directors' reputations.

6.2.5 Effect of board size on disclosure of non-financial information.

Empirical results in table 6.2 show that for listed firms in Nigeria, the size of board of directors has a positive significant effect on disclosure of non-financial information at 5% level. The p value is 0.013 and the coefficient $\beta = 0.0163$, which implies that increase in size of the board of directors by one member, results in an average increase in the level of disclosure of non-financial information by 1.63%. For listed firms in South Africa and East Africa, results in tables 6.1 and 6.3 show that the effect of board size on disclosure of non-financial information is not significant.

The statistically significant findings established for listed firms in Nigeria are consistent with empirical results by Akhtaruddin et al. (2009:13) and Htay at al. (2012:201) who established that board size has a positive statistically significant effect on corporate disclosure. In addition, research findings by Roshima et al. (2009:222) revealed that increase in board size results into a positive and statistical significant increase in disclosure of CSR information at 5% level.

6.2.6 Effect of control variables on disclosure of non-financial information.

Findings in table 6.1 show that for listed firms in South Africa, leverage and profitability have a positive moderate significant influence on disclosure of non-financial information at 10% level ($\beta = 0.0395$, p value = 0.093 for leverage; $\beta = 0.0674$, p value = 0.0645 for profitability). The results are consistent with findings by Ntim et al. (2012:136) which revealed that both leverage and profitability have a positive significant influence on disclosure of governance information. The implication of this is that for companies that are highly geared, lenders institute monitoring mechanisms to ensure that corporate managers disclose both operational and governance information. Similarly, highly profitable firms tend to disclose more information as an indication of good performance.

For listed firms in East Africa, only firm size has a positive significant influence on disclosure of non-financial information (coefficient $\beta = 0.02234$, p value 0.012). The study further established that for listed firms in Nigeria, the effect of all control variables (firm size, profitability and leverage) on disclosure of non-financial information is not significant.The findings from East Africa indicate that a unit percentage increase in company size results into a 2.23% increase in the level of disclosure of non-financial information. The implication of these findings is that large companies strengthen their governance, monitoring and operation systems and strive to ensure that information is disclosed to all stakeholders.

The results are consistent with emprical evidence by Broberg et al. (2010:370) and Akhtaruddin and Haron (2010:77) who established that the size of a company has a positive statistical significant influence on corporate disclosure. Similarly, Comier et al. (2010:577) argue that large firms provide more disclosures about management governance and control systems. Furthermore, according to Parves and Abdullah (2011:178), large companies have more responsibilities to society and are likely to disclose more information about social and environmental activities in their annual reports. The findings are also consistent with Nandi and Ghosh (2012:49) who assert that large firms disclose more information than small ones so as to attract prospective investors in capital markets and enhance their confidence about the company operations.

After regression analysis using full models, further analysis was carried out where best regression models were obtained using stepwise regression analysis. This was done by eliminating variables that were not significant so as to remain with significant variables in the model. Results from this analysis are presented in tables 6.4, 6.5 and 6.6.

Table 6. 4: Best model of Multiple Regression analysis (one-tailed test) of non-financial information from listed firms in South Africa

Random - effect ML regression			Number of obs = 380	
Group variable: id			Number of groups = 95	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 448.581			LR chi2 (6) = 56.49	
			Prob > chi2 = 0.0000	
Non-financial	**coefficient**	**Standard Error**	**T stat**	**P value**
Year				
2011	0.0288	0.00944	3.05	0.001
2012	0.0274	0.00946	2.89	0.002
2013	-0.0267	0.0095	-2.81	0.0025
CEO non duality	**0.0626**	**0.0326**	**1.92**	**0.0275**
Director ownership	**-0.0919**	**0.0288**	**-3.2**	**0.0005**
Block ownership	**-0.0663**	**0.0235**	**-2.82**	**0.0025**
constant	**0.7727**	**0.0357**	**21.64**	**0.000**
/sigma_u	0.0449	0.0051		
/sigma_e	0.065	0.0027		
rho	0.3227	0.0562		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 46.07 prob>=chibar2 = 0.000				

One-tailed test, where: Non-financial is disclosure of non-financial information; other variables are defined in table 5.2

Table 6. 5: Best model of Multiple Regression analysis (One-tailed test) for data from listed firms in Nigeria on disclosure of non-financial information

Random - effect ML regression			Number of obs = 100	
Group variable: id			Number of groups = 25	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 95.0078			LR chi2 (5) = 12.33	
			Prob > chi2 = 0.0305	
Non-financial	**coefficient**	**Standard Error**	**T stat**	**P value**
Year				
2011	-0.01184	0.023155	-0.51	0.3045
2012	-0.00197	0.023266	-0.08	0.4665
2013	-0.00121	0.023546	-0.05	0.4795
CEO non duality	**-0.09135**	**0.0401**	**-2.28**	**0.0115**
Board size	**0.01545**	**0.00607**	**2.55**	**0.0055**
constant	**0.61831**	**0.07299**	**8.47**	**0**
/sigma_u	0.05791	0.013391		
/sigma_e	0.0815	0.006796		
rho	0.33552	0.11788		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 11.04 prob>=chibar2 = 0.000				

One-tailed test, where: Non-financial is disclosure of information of non-financial information; other variables are defined in table 6.2

Table 6. 6: The best model of multiple regression analysis (One-tailed test) for disclosure of non-financial information using data from East Africa

Random - effect ML regression			Number of obs = 104	
Group variable: id			Number of groups = 26	
Random effects u_i -Gaussian			obs per group: min = 4	
			Avg = 4	
			max = 4	
Log likelihood = 98.0493			LR chi2 (4) = 14.96	
			Prob > chi2 = 0.0206	
Non- Financial	**coefficient**	**Standard Error**	**T stat**	**P value**
Year				
2011	-0.00579	0.02299	-0.25	0.4005
2012	-0.00126	0.02291	-0.05	0.478
2013	-0.0354	0.02325	-1.52	0.064
Natural log. Firm size	**0.02743**	**0.00917**	**2.99**	**0.0015**
Board composition	**0.22755**	**0.1082**	**2.1**	**0.0175**
CEO non duality	**0.1396**	**0.0756**	**1.85**	**0.0325**
constant	**-0.2744**	**0.2444**	**-1.12**	**0.131**
/sigma_u	0.058	0.0142		
/sigma_e	0.08218	0.00687		
rho	0.33285	0.12474		
likelihood-ratio test of sigma_u = 0: chibar2 (01) = 10.06 prob>=chibar2 = 0.001				

One-tailed test, where: Non-financial is disclosure of non-financial information; other variables are defined in table 6.2

The best regression models given in tables 6.4, 6.5 and 6.6 are statistically significant with (p value= 0.0000) for South Africa, (p value = 0.0305) for Nigeria and (p value = 0.0206) for East Africa. This means that there is sufficient evidence to establish the effect of the independent variables given in the models on disclosure of information on governance and CSR. Most of the variables included in the models have been interpreted and analysed except for the effect of non-duality on disclosure of information on governance and CSR for listed firms in South Africa and East Africa. Findings shown in tables 6.4 and 6.6 revealed that the effect of CEO non-duality on disclosure of non-financial information is positively and statistically significant with ($\beta = 0.0626$, p value = 0.055) for listed firms in South Africa and ($\beta = 0.1396$, p value = 0.065) for listed firms in East Africa.

The implication of these values is that for companies where the duties of the chief executive officer are separate from those of the board chaiperson, disclosure of non-financial information siginificantly increases by 6.26% for South Africa and by 13.96% for East Africa. The findings further suggest that with CEO non-duality, the board exerts a lot of influence in the monitoring of managerial activities, which ultimately enhances transparency and disclosure of information to corporate stakeholders. Similarly, Akileng and Donnelly (2013:8) argue that firms which separate CEO and the chairman board of directors roles are associated with more effective corporate governance monitoring, which improves disclosure of corporate information.

The results are consistent with findings by Seamer (2014:121) which established that companies that segregated roles of CEO and board chair are less likely to fail their corporate disclosure responsibilities when compared to firms with dual responsibilities of CEO and chairperson board of directors. The study findings are also supported by the recommendation of the King III Report, Principle 1.18 (2009:12) in South Africa, which states that for companies to strengthen their governance systems, the board of directors should be led by an independent non-executive chairperson who should not be the chief executive officer.

6.3 SUMMARY OF THE CHAPTER

This chapter has covered the analysis and interpretation of emprical results on the effect of corporate governance attributes on disclosure of information for listed companies in Sub-Saharan Africa. It first covered a comparative multiple regression analysis of findings for listed firms in South Africa, Nigeria and East Africa using full models followed by analysis of the results from the best models. The findings show that for both listed firms in South Africa and East Africa, board composition has a positive significant effect on disclosure of non-financial information. This implies that companies with a higher proportion of non-executive directors on the board will exert influence on company management to disclose all non-financial information.

From this chapter, it is further indicated that for listed firms in South Africa, both block and director ownership of shares have a negative significant effect on disclosure of non-financial information. This is because in companies where a higher proportion of shares is owned by directors and block shareholders, disclosure tends to be limited. The main reason for this is that in such companies, there is no motivation to disclose information to the public because it can easily be accessed by majority shareholders. In this chapter, it is also revealed that CEO non-duality has a positive significant influence on disclosure of information for listed firms in South Africa and East Africa but a negative significant influence for listed firms in Nigeria. The implication is that companies with separate roles of chief executive officer and chairman board of directors disclose more non-financial information.

The analysis in this chapter also shows that for listed firms in Nigeria, board size has a positive significant effect on disclosure of non-financial information. This implies that companies with a big board size have a variety of directors with specialised skills, experience and professional expertise who are able to effectively monitor company operations and encourage companies to disclose more information. The chapter also includes the analysis which shows that control variables such as leverage and profitability have a positive significant effect on disclosure of non-financial information for listed firms in South Africa, while firm size has a positive significant effect on disclosure of non-financial information in East Africa.

The next chapter covers a summary and discussion of the empirical findings about the effect of corporate governance attributes on disclosure of both financial and non-financial information. It also covers conclusions, contribution, and recommendations made from the study findings, limitations and suggested areas for futher research.

CHAPTER SEVEN

DISCUSSION OF FINDINGS, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

This final chapter presents a discussion and implications of significant findings described in chapters 5 and 6 about a comparative regression analysis of the effect of corporate governance on disclosure of both financial and non-financial information. It also presents a summary of the study, describing the objectives and motivation of the study, and conclusions made based on empirical results. The chapter ends by highlighting the contributions and recommendations made to both the academia and policy regulators, limitations of the study and suggested areas for further research.

7.2 DISCUSSION AND IMPLICATIONS OF THE SIGNIFICANT FINDINGS

The summary of major findings showing the extent to which the null hypotheses are rejected is presented in the table 7.1.

Table 7. 1: Summary of the results

Hypotheses	Hypothesis supported and sign of significant effect		
	South Africa	Nigeria	East Africa
H_1: Separation of CEO/ chairperson roles has positive effect on disclosure of financial information	Yes (+)	Yes (+)	No (Null)
H_1: Separation of CEO /chairperson roles has positive effect on disclosure of non-financial information	Yes (+)	No (-)	Yes (+)
H_1: Board size has positive effect on disclosure of financial information	Yes (+)	No (Null)	No (Null)
H_1: Board size has positive effect on disclosure of non-financial information	No (Null)	Yes (+)	No (Null)
H_1: Board composition has positive effect on disclosure of financial information	No (Null)	No (-)	No (Null)
H_1: Board composition has positive effect on disclosure of non-financial information	Yes (+)	No (Null)	Yes (+)
H_1: Composition of Audit committee has positive effect on disclosure of financial information	No (Null)	No (Null)	No (Null)
H_1: Composition of Audit committee has positive effect on disclosure of non-financial information	No (Null)	No (Null)	No (Null)
H_1: Block ownership has negative effect on disclosure of financial information	Yes (-)	No (+)	No (Null)
H_1: Block ownership has negative effect on disclosure of non-financial information	Yes (-)	No (Null)	No (Null)
H_1: Director ownership has negative effect on disclosure of financial information	Yes (-)	No (Null)	No (Null)
H_1: Director ownership has negative effect on disclosure of non-financial information	Yes (-)	No (+)	No (Null)

The discussion and implications of the significant research findings summarized in table 7.1 on how different corporate governance attributes affect disclosure of both financial and non-financial information are presented from section 7.2.1 to 7.2.6.

7.2.1 CEO non-duality

Empirical results from table 7.1 show that separating the roles of CEO from those of board chairperson (CEO non-duality) has a positive significant effect on disclosure of financial information for listed companies in South Africa and Nigeria. It also has a positive significant effect on disclosure of non-financial information for listed companies in South Africa and East Africa. The implication of this is that separating roles of the board chairperson from those of the CEO will enable the former to exercise control over the activities performed by the latter. This enhances effective monitoring of company operations and results in increased disclosure of all information to all corporate stakeholders. Empirical evidence shows that good governance prescriptions regarding board vigilance and enhanced corporate disclosures include constraint on CEO authority created by separating CEO and board chair roles (Essen et al., 2013:204).

The results are consistent with empirical evidence by Seamer, (2014:229), which indicates that disclosure of corporate information is increased if the roles of CEO and board chair are separate. They are also supported by Izyani and Zunaidah (2010:218) who argue that in good corporate governance systems, an independent board chairman would lead to a more transparent board and hence greater disclosure of financial information. Furthermore, according to Htay et al. (2012:199), board independence attained by separating the roles of CEO and board chairperson, is necessary to put pressure on management in disclosing more material information about the company, which is in line with the interest of shareholders. However, for companies listed on the Nigeria Stock Exchange, the study established that separation of roles of the CEO and board chairperson has a negative influence on the disclosure of non-financial information.

7.2.2 Board size

Regarding the size of board of directors, summarized empirical results in table 7.1 show that board size has a positive significant effect on disclosure of financial information for listed firms in South Africa. It is also shown that for disclosure of non-financial information, board size has a positive significant effect for listed firms in Nigeria. Therefore, for disclosure of financial information in South Africa and non-financial information in Nigeria, the implication of findings is that increase in board size provides the company with a wide range of professionals with skills, competence and expertise necessary for improving the quality of financial reporting and disclosure. The results are consistent with empirical evidence (Mohamed et al., 2014:61) from Sri Lankan listed companies which shows that board size has a positive significant influence on sustainable reporting and disclosure of corporate information. This is also supported by Akhtaruddin et al. (2009:5) who argue that with more directors, the collective experience and expertise of the board increases and therefore the need for financial information disclosure is higher. The findings are further supported by Jizi et al. (2014:610) who assert that large corporate boards are better and able to direct management to engage in and disclose CSR activities.

7.2.3 Board composition

The summary of empirical results in table 7.1 shows that board composition (having a higher proportion of non-executive directors on corporate boards) has a positive significant effect on disclosure of non-financial information for listed firms in South Africa and East Africa. The implication of this is that having corporate boards with majority of non-executive directors improves the company's decision-making process and corporate disclosure especially disclosure of non-financial information such as information on governance and CSR.

The results are supported by Samaha et al. (2012:156) and are consistent with Khan et al. (2012:212) and Wan and Zunaidah (2010:217) who argue that the presence of independent non-executive directors help in strengthening the board by monitoring the activities of management and ensuring that all corporate information is disclosed to stakeholders. It is also argued that the presence of non-executive directors on the board is pivotal because they are crucial in influencing corporate disclosure decisions and contribute their experience and expertise to the company to protect shareholders' interests (Barros et al., 2013:564). This further implies that corporate boards with a higher proportion of non-executive directors tend to be independent in their operations and will exert pressure on management to be transparent and disclose all relevant information needed by stakeholders. However, for listed companies in Nigeria, findings revealed that board composition has a negative significant effect on disclosure of financial information.

The directional hypothesis that board composition has a positive significant influence on financial information is rejected. The results are supported by Azlan, Shian and Susela (2014:230) who state that the influence of independent non- executive directors in corporate reporting is restricted because they are not involved in the daily operations of the company.

7.2.4 Block ownership of shares

Summarized findings in table 7.1 show that: for listed companies in South Africa, block ownership of shares has a negative significant effect on disclosure of both financial and non-financial information. The results imply that shareholders in companies with a high proportion of shares held by a few individuals (block shareholders), can easily access all relevant information. This view is supported by Ali-Najjar and Abed (2014:583) who assert that firms with concentrated ownership have less agency costs arising from shareholder/managers conflicts and hence, have less incentive to disclose information. Therefore, in such companies, there is no need of demanding for high levels of corporate disclosure unlike in companies where the shareholding is spread to many shareholders. The empirical results are consistent with findings by Emma and Juan (2010:620) who established that concentrated ownership of shares has a negative significant effect on corporate disclosure of information on CSR activities.

On the other hand, the study further established that block ownership of shares has a positive significant impact on corporate disclosure for listed firms in Nigeria. The implication of this is that companies with a higher proportion of shares held by shareholders with at least 5% of the company's total shareholding disclose more financial information. This is supported by empirical evidence by Huafang and Jianguo (2007:614) and Roshima et al. (2009:223). The possible argument for this is that substantial shareholders normally have a lot of interest in the investments made by company managers and will therefore exert a lot of influence on corporate managers to disclose more financial information.

7.2.6 Director ownership of shares

The study established that for listed firms in South Africa, the impact of director ownership of shares on disclosure of both financial and non-financial information is negative and significant. The implication of these findings is that companies where directors hold a higher proportion of shares disclose less information. The reason for this is that the information can easily be accessed by directors who at the same time are the ones mandated to disclose it. In addition, directors may have self beneficial interests in the operations of the company and therefore, they feel no strong motivation for them to increase disclosure of information to other stakeholders.

The results are consistent with empirical evidence by (Nazli, 2007:260) which shows that director ownership of shares has a negative effect on disclosure of information on CSR for listed firms in Malaysia. The findings are further supported by Htay et al. (2012:5) who assert that directors with a substantial amount of share ownership might not want to disclose corporate information to outsiders because they can use their discretionary powers to spend company resources in ways that serve their own interests at the expense of shareholders.

7.3 SUMMARY OF STUDY AND CONCLUSIONS

The primary objective of this study was to examine the relationship between corporate governance and disclosure of corporate information by listed companies in developing economies. To address this primary objective, three specific objectives were identified:

i. To identify and examine corporate governance attributes applicable for disclosure of corporate information by listed companies in developing economies.

ii. To examine the relationship between corporate governance attributes and disclosure of financial information by listed companies in developing economies.

iii. To examine the relationship between corporate governance attributes and disclosure of non-financial information by listed companies in developing economies.

The motivation for this study was the need to obtain more empirical evidence about corporate governance attributes that affect disclosure of corporate information and also to contribute to already existing studies in developing economies. This is because prior studies indicate that little research about corporate governance and information disclosure has been carried out in developing economies (Nurwati and Wan, 2009:6) and yet, disclosure of corporate information is an important channel through which existing and potential shareholders obtain valuable information regarding the operations of the company. Furthermore, the contents of corporate disclosure reveal not only the company's financial and operational situation but also its managers' incentives and discretions to disclose information relevant for making decisions about investment alternatives (Omran and Abdelrazik, 2013:95). The study is based on the agency theory which suggests a need for corporate disclosure as a way of reducing agency conflicts and information asymmetries that arise between shareholders and corporate managers.

A comprehensive review of existing literature was conducted to identify potential corporate governance attributes that influence disclosure of corporate information in developing economies. Based on this review, six corporate governance attributes (CEO non-duality, board size, and board composition, composition of audit committees, block ownership of shares and director share ownership) and three control variables (leverage, profitability and firm size) were identified and discussed. Both null and directional hypotheses were then formulated showing the effect of independent variables (corporate governance attributes) on dependent variables (disclosure of financial and non-financial information).

A positivistic research paradigm was adopted using the quantitative approach where panel data on the study variables was obtained from annual reports of a sample of listed firms in the study area (South Africa, Nigeria and East Africa) using McGregor and Bloomberg databases in the main Library at University of Cape Town (South Africa). Data analysis was carried out to test the hypotheses where Random Effects Regression Models were obtained using STATA MP Version 13 to establish the influence of the independent and control variables on the dependent variables.

On disclosure of financial information, study findings from listed firms in South Africa revealed that CEO non-duality, board size, profitability and leverage have a positive significant effect on corporate disclosure while the effect of block and director share ownership is negative. For listed firms in Nigeria, results show that CEO non-duality, block share ownership and firm size have a positive significant effect on disclosure of financial information, while for listed firms in East Africa, empirical evidence shows that only firm size has a positive significant effect on disclosure of financial information.

Empirical results show that for listed companies in South Africa, CEO non-duality and board composition have a positive significant effect on disclosure of financial information. However, the findings further revealed that director and block share ownership have a negative significant effect on disclosure of non-financial information. For listed companies in Nigeria, it was established that board size has a positive significant effect on disclosure while the influence of CEO non-duality was negative. Findings further revealed that for listed firms in East Africa, firm size, board composition and CEO non-duality have a positive significant influence on disclosure of governance and CSR information.

Based on these study findings, the following conclusions are made:

- CEO non-duality (Separating roles of CEO and chairperson board of directors) has a positive significant effect on disclosure of corporate information. This is clear in the findings of South Africa (for disclosure of both financial and non-financial information), Nigeria (for disclosure of financial information) and East Africa (for disclosure of non-financial information). Hence, the chairperson of board of directors who does not hold executive functions, is expected to independently monitor company's operations and exert influence to ensure that company management discloses all the relevant information to shareholders and other interested stakeholders.

- Board size is positive and significantly associated with disclosure of financial information for listed firms in South Africa. It also has a positive effect on disclosure of non-financial information for listed firms in Nigeria. For East Africa, board size has a positive and significant effect on disclosure of both financial and non-financial information. Hence, for disclosure of financial information in South Africa and non-financial information in Nigeria, it is concluded that increase in the size of board of directors brings people with diverse professional expertise to corporate boards that are likely to act independently and objectively in corporate decision making. These directors are able to influence the company to disclose all the relevant information.

- For listed firms in South Africa and East Africa, it is concluded that; companies with a higher proportion of non-executive directors on the board are more effective in disclosing non-financial information such as information on corporate strategy, governance, and CSR to corporate stakeholders. This is because non-executive directors act as independent representatives of shareholders interests in the company and will exert influence to management to disclose information. However, for disclosure of financial information, it is concluded that board composition has a negative significant influence on disclosure for listed companies Nigeria. For companies listed in South Africa and East

Africa, Board composition has no significant effect on disclosure of financial information.

- Based on findings from listed companies in South Africa, companies where directors and block shareholders own a substantial number of shares, disclose less information to corporate stakeholders. This is because in such companies, there is no strong motivation for management to disclose information to corporate stakeholders because it can easily be availed to directors and any other substantial shareholders who are expected to have beneficial and controlling interests. For listed firms in East Africa, it is concluded that director ownership of shares has no significant impact on disclosure of both financial and financial information. This is possibly because, the proportion of shares held by directors is very small and therefore such little shareholding could not cause any significant impact on corporate disclosure. For instance the mean and median values of the proportion of shares held by directors in listed firms in East Africa are 0.050 and 0.0003 respectively.

- Profitable companies are likely to disclose more information so as to attract potential shareholders to invest in the company.

- Monitoring mechanisms must be put in place to ensure that managers of highly geared companies disclose more information to enable creditors evaluate the firm’s ability to meet their financial obligations.

- Large companies normally have better internal management information systems as a result of different activities that they carry out and therefore, tend to disclose more information related to financial and non-financial activities than the small ones.

7.4 CONTRIBUTION AND RECOMMENDATIONS OF THE STUDY

The findings of the study make useful contributions to the debate on literature of corporate governance, agency theory and disclosure of corporate information which is important for enhancing corporate investments and economic growth. The study also has implications and policy recommendations for the users of corporate information especially investors, corporate governance regulators, regulators of capital market operations and researchers.

Literature on the effectiveness of corporate governance systems in developing economies, especially in Africa, has been fairly underdeveloped. This study has therefore filled current research gaps on the effect of corporate governance on corporate disclosure by contributing to the body of knowledge in Accounting and Finance research in developing economies with particular emphasis on Sub Saharan-Africa.

The study also makes a contribution by establishing some corporate governance attributes that are significantly associated with corporate disclosure in developing economies. It is the first of its kind for making a comparative analysis of companies listed on selected securities exchanges in Sub-Saharan Africa. The study is important in guiding the process of developing a model of corporate governance attributes that is vital for disclosing corporate information to various stakeholders. Disclosure of corporate information is important because it guides investors to make informed investment decisions which improves company performance and ultimately enhances economic growth.

The study makes useful recommendations to firms, regulators and academicians. To the firms, the findings of the study have helped in establishing some corporate governance attributes that help in strengthening the governance systems of corporations in developing economies, hence leading to corporate disclosure. For instance, with the exception of composition of audit committees, the study established that all other corporate governance attributes have a significant influence on the way companies disclose both financial and non-financial information.

To regulators of capital markets in developing economies, the study findings have established the need for establishing strong corporate governance codes that guide the process of strengthening corporate governance systems and corporate disclosure requirements. For instance, although the King III Report in South Africa details the governance attributes necessary for strengthening the governance, financial reporting and disclosure practices for listed companies, there is no evidence to show the existence of strong corporate governance codes for listed companies in East Africa and Nigeria.

To academicians, the findings of the study have implications on future research and teaching of Accounting and Finance especially in the area of corporate governance and disclosure of corporate information. The study contributes to market-based accounting research and the debates on relevancy and effectiveness of corporate governance attributes on corporate reporting and disclosure.

7.5 LIMITATIONS OF THE STUDY

In this study, all the objectives stated in chapter one were achieved. The study has also made a significant contribution to the body of knowledge especially in examining the relationship between specific corporate governance attributes and corporate disclosure in developing economies. However, a few limitations are highlighted and should be considered while making interpretations and conclusions relating to the findings of the study.

The study focused on six attributes of corporate governance that were identified through extensive literature review and therefore, it did not consider other aspects that could influence corporate disclosure. These include the effect of institutional and foreign investors, and the role played by board committees other than the audit committee. However data on these variables could not be readily available and a decision to exclude them in this study had to be made.

Furthermore, although the King III Report on governance of listed companies in South Africa highlights corporate governance attributes that enhance corporate performance and disclosure, there is no clear developed corporate governance code for listed firms in East Africa and Nigeria to help in carrying out a comparative analysis. This makes it difficult to point out specific corporate governance attributes required for corporate disclosure in East Africa and Nigeria. However, a comprehensive review of literature helped in identifying and examining corporate governance attributes applicable for disclosure of corporate information in developing economies.

The nature of sample size was another limitation. Data for this study was collected from annual reports of listed companies in selected securities exchanges in Sub Saharan Africa. These include 380 annual reports from 95 listed companies in South Africa, 104 annual reports from 26 listed companies in East Africa and 100 annual reports from 25 listed companies in Nigeria. Although data for listed firms in South Africa was readily available from McGregor BFA database at University of Cape Town, data for listed firms in East Africa and Nigeria was not readily available. For instance, most companies did not have all the annual reports of the whole four year period of study (2010 to 2013) and therefore, the study only covered companies which had all the required annual reports.

In addition to the above limitations, one of the major concerns of researchers is whether the findings of the study can be generalized to the whole population. The restrictions set during the process of sample selection of any study have a possibility of affecting the legitimacy of the overall findings. However as explained in the methodology chapter, the sample was carefully selected to ensure that the results of the sample can be generalized for the whole population. The study covered listed companies on major securities exchanges in Sub Saharan Africa and results obtained are a representative of the population.

Another limitation is that the study did not cover all the categories of companies in developing economies. It only covered non-financial listed companies and therefore other companies like those which offer financial and insurance services. Parastatal bodies and Non-Governmental

Organizations were excluded, and yet they play an important role in contributing to the economic growth of developing economies.

Despite the above limitations, this study has added value to empirical corporate governance research in developing economies. It has provided insights into specific corporate governance attributes that influence disclosure of corporate information in developing economies thus providing many opportunities for future investigation in governance and management of companies in developing economies.

7.6 RECOMMENDATIONS FOR FUTURE RESEARCH

The study used a quantitative approach and provides good empirical evidence about the efficacy of corporate governance on corporate disclosure in developing economies. However, future studies should consider integrating quantitative and qualitative techniques (methodological triangulation) in order to enhance credibility and validity of the findings.

Although the study examined the effect of the major internal governance mechanisms on corporate disclosure, future studies should be expanded to examine the influence of other corporate governance mechanisms such as the role of internal and external audits, share ownership by institutional and foreign investors, role of board committees and external governance mechanisms such as market for corporate control.

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APPENDICES

APPENDIX I

CORPORATE DISCLOSURE INDEX FOR THE STUDY

A. **FINANCIAL INFORMATION**

i. **Genera financial information**

- Amount and source of revenue
- Sources of raw materials for manufacturing firms
- Dividend payout policy
- Information on retained earnings
- Operating profits/losses
- Market capitalization

ii. **Financial review information**

- Liquidity ratios
- Debt/equity ratio
- Return on capital employed
- Return on shareholders' equity
- Dividend per ordinary share for the period
- Comparative financial position statement for 3 to 5 years or more
- Comparative profit and loss statement for 3 to 5 years or more.
- Share price information

iii. **Future financial forecast (projected) information**

- Market share forecast
- Future cash flow forecast
- Share price estimation
- Sales forecast
- Profit forecast
- Capital expenditure and R and D expenditure forecast

B. **NON FINANCIAL INFORMATION (GOVERNANCE AND CSR)**

i. **Corporate background and governance information.**

- Company's mission/vision statement
- Brief history of the company
- Description of business /activities
- Corporate structure
- Stock exchanges on which shares are held.
- Statement of principal products

- Principal markets
- Name and address of bankers
- Name and address of legal advisors
- Identity of senior management which include; chief executive, board secretary and finance director
- Name and registered office of the company
- Name and address of financial advisors

ii. Corporate strategic information

- A statement of corporate strategy and objectives
- Actions taken to achieve corporate objectives and strategy
- Statement of operating goals and strategy
- Actions taken to achieve corporate goals
- Management organization chart

iii. Governance information

- Name of principal shareholders
- List of directors
- Shares held by directors of the company
- Educational qualifications of directors
- Experience of executive directors
- Experience of non-executive directors
- Directors' remuneration
- Position held by executive directors
- Other directorship held by the directors
- Age of directors
- Board committees
- Name of the auditors
- Audit report
- Number of employees for 2 or more years
- Amount spent on training
- Nature of training
- Categories of employees trained
- Numbers of employees trained

iv. Corporate social responsibility information

- Information on safety measures
- Environmental protection programmes
- Information on community services
- Charitable donations
- Value added statement

Summary of expected number of disclosed items from company annual reports

Governance and CSR information	= 40
Financial	= 20
Total number of items expected to be disclosed	**= 60**

APPENDIX II

LIST OF COMPANIES INCLUDED IN THE SAMPLE

	Companies from South Africa				**Companies from Nigeria**
1	Afgri	51	Wescoal Holdings	1	Dangote Sugar Refinery
2	Astral	52	York Timbers	2	Presco Plc
3	Avi	53	Allied Electronics	3	Conoil Plc
4	Crookes Brothers	54	Afrimat Ltd	4	National Salt co of Nig. Plc
5	Distell Group	55	Adcorp	5	PZ Cussons
6	Metair Investments	56	Aveng Group	6	Transnation
7	Oceana Group	57	Austro Group	7	UPDC Ltd
8	SAB Miller	58	Argent Industries Ltd	8	Total Nigeria
9	Tiger Brands	59	ARB Holdings	9	RT Briscoe (Nigeria) plc
10	Advtech Group	60	Bell Equipment Ltd	10	Red Star Express
11	Comair Ltd	61	Basil Read holdings	11	Thomas Wyatt Nig.
12	Clicks Group Ltd	62	Barloworld	12	Nigerian Breweries
13	City Lodge Hotels	63	Calgro M3 Holdings	13	Nestle Nigeria
14	Cash Build	64	Ellies Holdings Ltd	14	Lafarge Cement WAPCO
15	Famous Brands	65	ELB Group	15	IHS Nigeria
16	Don group Ltd	66	DAWN	16	Glaxosmithkline
17	CMH Group	67	Esorfranki Ltd	17	Guinness Nigeria
18	Lewis group Ltd	68	Eqstra Holdings Ltd	18	First Aluminum Nigeria
19	Kagiso Media	69	Hudaco Holdings	19	Airline Services and Log Ltd
20	Grindrod	70	Howden Africa Holdings Ltd	20	Julius Berger Nigeria Plc
21	Mr. Price Group Ltd	71	Group 5 Ltd	21	Crusader
22	Mass Mart	72	Grindrod Ltd	22	Starcomm Ltd
23	Nictus	73	Jasco Electronics	23	Nigeria Aviation Handling
24	Naspers	74	Invicta Holdings Ltd	24	Honewell Floormills
25	Shorprite Holdings	75	Imperial	25	University Press Plc
26	Rex Trueforrm Clothing Ltd	76	Iliad Africa Ltd		
27	Phumelela Gaming & Leisure	77	Kelly Group Ltd		**Companies from East Africa**
28	Spur Corporation	78	Kay Dav Group	1	CENTUM
29	Spar Group	79	Mix Telematics	2	Athi River Mining
30	Foschini Ltd	80	Metrofile Holdings	3	Bamburi Cement
31	Taste Holdings	81	Mazor Group	4	BAT Kenya
32	Woolworths Holdings	82	Masonite Group Ltd	5	Car & General (Kenya) Ltd

33	Winhold Ltd	83	PPC CEMENT	6	East African Breweries Ltd
34	Truworths International	84	Santova Logistics	7	East African Cables
35	Assore	85	Reunert Ltd	8	Everyday EA Ltd
36	Arcelormitta	86	Mustek	9	Kakuzi Ltd
37	Aquarius Platinum	87	Pinnacle Technology	10	Kenya Electricity G C
38	Anglogold Ashante	88	Secure Data Holdings	11	Kenol Kobil
39	Exxaro	89	Adapt IT Software Solutions	12	Kenya Airways
40	DRD Gold Ltd	90	Converge Net	13	The Kenya Power & Lighting Co.
41	Delta EMD	91	Afro Centric Investments Ltd	14	RE Vipingo Plantations Ltd
42	Gold One International	92	Med Clinic Group	15	National Media Group
43	Merafe	93	Net Care Limited	16	Safaricom
44	Keaton Energy	94	Adcock Ingram	17	Scangroup
45	Omnia Holdings	95	Aspen Holdings	18	Sameer Africa
46	Northam Platinum			19	TPS Eastern Africa Ltd
47	Metmar			20	Total Kenya
48	Rolfes Holdings			21	Olympia capital
49	Petmin			22	Mumias Sugar
50	Sentula Mining Ltd			23	Crown Berger Kenya Ltd
				24	Sasin Ltd
				25	East Africa Portland Cement
				26	TransCentury

APPENDIX III

Frequency distribution of Disclosure Index for listed firms in South Africa

Financial Information		**Non-Financial Information (Governance and CSR)**	
Value	Frequency	Value	Frequency
0.474	4	0.522	3
0.50	7	0.565	6
0.526	8	0.609	7
0.55	14	0.652	17
0.579	10	0.696	26
0.60	19	0.739	51
0.632	14	0.762	1
0.650	29	0.783	66
0.684	16	0.81	1
0.70	31	0.826	87
0.737	28	0.87	75
0.75	42	0.913	31
0.789	30	0.95	9
0.80	41		
0.842	24		
0.85	30		
0.857	1		
0.894	1		
0.895	10		
0.90	19		
0.94	1		
0.95	1		
Total	**380**		**380**