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Firm-Specific Characteristics, Corporate Governance and Voluntary Disclosure in Annual Reports of Bangladesh

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Ph.D. Dissertation

BY

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This dissertation is submitted to the Institute of Business Administration (IBA), University of Rajshahi, Bangladesh, in partial fulfillment of the requirements for the degree of Doctor of philosophy (Ph.D.) in Accounting and Information Systems (AIS).

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Declaration

Bismillahir Rahmanir Rahim

I do hereby declare that the dissertation entitled "Firm-Specific Characteristics, Corporate Governance and Voluntary Disclosure in Annual Reports of Bangladesh", submitted for the degree of Doctor of Philosophy (Ph.D.) in Accounting and Information Systems (AIS) is an original and is the result of my own investigation and due acknowledgement is given to other researchers where references are made from their works.

I also declare that no part of it, any form, has been submitted to any other University, or Institute for any degree, diploma or for other similar purposes.

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June 2015

Certificate

We certify that the dissertation entitled "Firm-Specific Characteristics, Corporate Governance and Voluntary Disclosure in Annual Reports of Bangladesh", is an original work of Md. Abdur Rouf. This research has been conducted under our joint supervision and guidance. To the best of our knowledge, this dissertation has not been submitted previously for any diploma/ degree/ fellowship to any other university or institute.

At this stage the dissertation is forwarded to the University of Rajshahi, through the Institute of Business Administration (IBA), for necessary formalities leading to its acceptance in partial fulfillment of the requirements for the degree of Doctor of Philosophy (Ph.D.) in Accounting and Information Systems (AIS).

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Dedicated to

My beloved parents & daughter

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Abstract

This study is on "Firm-Specific Characteristics, Corporate Governance and Voluntary Disclosure in Annual Reports of Bangladesh". The aim of the study is to examine the factors influences voluntary disclosures of information in the annual reports of listed companies in Dhaka Stock Exchange (DSE) over the period of 2007 to 2011. The data were obtained from both primary (interview findings) and secondary sources (annual reports). Qualitative and quantitative data were collected from examination of annual reports using the voluntary disclosure checklist and also through administering semi-structured questionnaire. A sample of 106 non-financial companies listed on Dhaka Stock Exchange (DSE) was selected by judgmental sampling. This research is also carried out by using un-weighted index to measure the level of voluntary disclosure.

The study uses univariate and multivariate analysis to examine the association of firm specific characteristics and corporate governance factors with the level of voluntary disclosure in the annual reports of listed non-financial companies in Bangladesh. In the regression model, corporate voluntary disclosure score was the dependent variable, while the firm specific characteristics (total assets, total sales, return on asset and return on sales) and corporate governance factors (the percentage of female directors, the percentage of independent directors, board leadership structure, board size and ownership structure) were the independent variables.

Firstly, the results of the disclosure index indicate that four highest disclosure scorer listed companies in DSE are from the industrial categories of "Fuel & Power" and "Pharmaceuticals & Chemicals" and four lowest disclosure scorer listed companies in DSE are from the industrial category of "Food & Allied".

Secondly, the results of measuring voluntary disclosure score indicate that the average level of voluntary disclosure is 42.85% for the whole sample companies from 2007 to 2011.The results from the trend of voluntary disclosure score indicate that the average voluntary disclosure items of the listed companies are

41.13% in the year 2007, 41.87% in 2008; 42.78 % in 2009; 43.8% in 2010 and 44.69% in 2011. In aggregate, the voluntary disclosure items have been increasing gradually over the period.

Thirdly, the results indicate that the total assets, the percentage of female directors, board leadership structure of a firm are positively associated with the level of voluntary disclosure. The result also indicates that the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the level of voluntary disclosures.

Fourthly, findings of the opinion survey show that respondents' perception is satisfactory on most of the aspects of corporate voluntary information comprised in corporate annual reports in Bangladesh and respondents' perception is dissatisfactory on some aspects of corporate voluntary information comprised in corporate annual reports in Bangladesh

Generally, the findings of this study contribute to the literature by providing empirical evidence on corporate voluntary disclosure practices by listed companies in Bangladesh. Results from statistical analysis, together with perceptions of the respondents, provide a better understanding of corporate voluntary disclosure practices in Bangladesh. Therefore, the findings of this study have important implications for regulatory authority, enforcement agencies such as ICMAB, ICAB, SEC, DSE, policy makers, shareholders and others who have interest in corporate voluntary disclosure.

List of Abbreviations

AGM = Annual General Meeting

APB = Accounting Principle Board

BRRP = Business Reporting Research Project

BLS = Board Leadership Structure

BSIZ= Board Size

BOD = Board of Director

CAR= Corporate Annual Reports

CEO = Chief Executive Officer

DSE = Dhaka Stock Exchange

FASB = Financial Accounting Standards Board

GAAS= Generally Accepted Auditing Standard

GOB = Government of Bangladesh

IAS = International Accounting Standards

ISA= International Standards of Auditing

ICAB = Institute of Chartered Accountants of Bangladesh

ICMAB = Institute of Cost and Management Accountants of Bangladesh

ICSA= Institute of Chartered Secretaries and Administrators

IFAC = International Federation of Accountants

PIND= Percentage of Independent Non-executive Directors

PEOI = Percentage of Equity Owned by the Insiders

PFD = Percentage of Female Directors

ROA=Return on Assets

ROS= Return on Sales

SAARC= South Asian Association for Regional Cooperation

SAFA= South Asian Federation of Accountants

SEC = Securities and Exchange Commission

SRQ = Sub-Research Questions

SFAC= Statement of Financial Accounting Committee

SPSS= Statistical Packages for Social Science

TA= Total Assets

TS = Total Sales

TVDI = Total Voluntary Disclosure Index

USSR= Union of Soviet Socialist Republics

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INTRODUCTION

CHAPTER-1

INTRODUCTION

1. Prelude

Published annual reports are required to provide various users viz. shareholders, employees, suppliers, creditors, financial analysts, stockbrokers, management, and government agencies–with timely and reliable information that is useful for making prudent, effective and efficient decisions. The annual report is a significant component on the whole disclosure process, because it is the most commonly distributed source of information on publicly held corporations. The extent and quality of disclosure within these published reports however vary from company to company and also from country to country. Although, the annual report is the main source of information to various user-groups (Marston & Shrives, 1991), all the parts of the annual reports are not equally important to all users. In the annual report, income statement is more useful section to investors and cash flow statement and balance sheet are more useful sections to bankers and creditors (Ho & Wong, 2001). Similarly, the users of accounting information evaluate audit reports, directors' reports, accounting policies and historical summary differently. The annual report should contain information that allows its users to make correct decisions and efficient uses of limited resources.

Disclosure is not developed in a vacuum; rather it is the function of various factors that affect managers and companies in different countries (Haniffa & Cooke, 2002). These factors include economy, culture, capital market, firm-specific characteristics, accounting and regulatory framework, while disclosure is determined in large part by the legal environment and the fear or threat of litigation.

Corporate disclosure is a desirable characteristic of financial reports. The dimensions of corporate disclosure investigated by the early research studies include mandatory disclosure, voluntary disclosure, segment disclosure and compliance with international financial reporting standards, laws and regulations. Generally, companies prepare their financial reports in conformity with the legal provision of a country. On the other hand, voluntary disclosure promotes management discretion in deciding the content of information to disclose. Healy and Palepu (2001) documented that the decision to disclose voluntary information is based on managerial incentives. Voluntary disclosure reduces the information asymmetry (Lang & Lundholm, 1993) between insiders and outsiders, reduces the cost of capital (Botosan & Plummlee, 2002) and increases transparency of the company (Cheung, et al. 2010).

In Bangladesh, both the Companies Act and Securities and Exchange Rules govern the corporate disclosure of listed companies in Dhaka Stock Exchange (DSE). The Companies Act of 1994 and the Securities and Exchange Rules of 1987 are two important legislations for corporate disclosure. The Companies Act 1994 provides the basic requirements for disclosure and reporting which are applicable to all companies incorporated in Bangladesh (government of Bangladesh, 1993). The Act requires companies to prepare financial statements in order to reflect a true and fair view of the state of affairs of the company. The Securities and Exchange Commission (SEC), another regulatory body requires all listed companies to comply with accounting standards promulgated by the Institute of Chartered Accountants of Bangladesh (ICAB), in addition to its own disclosure provision (government of Bangladesh, 1993). Disclosure provisions of the Securities and Exchange Rules are, in fact, restricted only to companies listed on the stock exchanges. It is often alleged, however, that company's annual reports do not comply with the disclosure requirements stipulated by the regulatory agencies, resulting in poor disclosure compliance by the listed companies (Akhtaruddin, (2005) The Companies Act 1994 requires companies to maintain proper books of account and to prepare and submit the audited annual financial statements to their shareholders in order to reflect a "true and fair view" of the company's state of affairs. In terms of auditing, listed companies must prepare accounts in accordance with internationally accepted accounting principles and have them audited by independent auditors. Indeed, independent auditors' report has to be submitted to the shareholders in the company's annual general meeting (AGM). Moreover, the auditor must audit the accounts of companies in light of generally accepted auditing standard (GAAS).

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled (Uddin, 2006). Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management, and the board of directors. Other stakeholders include employees, customers, creditors, suppliers, regulators, and the community at large. Basically, it is important to underline that investors in corporations require assurance that their contributions, financial capital, human capital and social capital will produce a return. Corporate governance can be fundamentally classified into two categories. One is "outsider system" and the other one is "insider system". The "outsider system" of corporate governance was first introduced in the United States of America and The United Kingdom. This system can be characterized as a market-based system. This system is now being practiced in almost all the market-based economics of the world. Outsider system followed in the Anglo American countries which separate ownership and management. The "insider system" is the system where ownership and control are relatively held by identifiable and cohesive groups of "insider" who have long-term stable relationship with the company. Insider system followed in the European countries where shareholders exercise control in management.

The role of the firm specific characteristics and corporate governance in disclosing information is examined in this study. Although different theoretical perspectives make different influences (i.e. agency theory, signaling theory, legitimacy theory and stakeholder theory) , they all agree that companies release information mostly for traditional user groups such as shareholders, creditors, financial analysts and security consultants who find this information useful when making investment decisions(Cooke, 1989). The agency theory implies that companies increase disclosure in order to moderate conflicts between the shareholders and the managers. In addition, companies that wish to improve their firm value may do so by increasing disclosure (Lobo & Zhou, 2001).

1.1 Statement of the Problem

The demand for corporate disclosures- both mandatory and voluntary - has been increasing gradually all over the globe with the increase of users' need for information to take informed and timely decisions. But frequently corporate disclosures do not serve the needs of the users because managers (agents) usually consider their own interests when exercising managerial judgment and this situation leads to widen the gap between expected and actual disclosures. Contrarily, adequate and improved corporate disclosure reduces the gap between management and the outsiders, augments stock price, increases liquidity, reduces cost and so on (Apostolos et al.2009; Hossain, 2009; McKinnon & Dalimunthe, 2009; Karim, 1996).

Bangladesh is the pioneering country in South Asian Association for Regional Cooperation (SAARC) which was formed in 1985 to promote regional cooperation. Despite various political obstacles, the economists predict that SAARC might be a strong economic regional bloc with around 1.25 billion people. To harmonize the accounting and reporting procedures of SAARC, a regional body was formed, which is known as South Asian Federation of Accountants (SAFA). It is expected that the SAFA should be an effective body to make (a) the linkage between corporate financial reporting and public image and users' needs, and (b) the harmonization of financial reporting framework, practices, compliance and applications of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRs) among the member countries. But uncertainty has been noticed in its effectiveness. As a result, more empirical studies should be conducted to identify and understand the requirements for applications of some sets of reporting standards in South Asian countries and the related potential benefits. Moreover, 'privatization-move' has got a momentum in the SAARC countries, especially in Bangladesh. In recent times, quite a large number of nationalized industries in Bangladesh have been privatized and this privatization move has attracted Foreign Direct Invest (FDI). Rapid industrialization and sustainable economic growth needs good governance in the corporate sector and the main element of good governance is the free flow of information among the corporate stakeholders through corporate financial reporting and appropriate disclosures following IASs and IFRS.

Importantly, the government of Bangladesh has recently taken a decision to adopt International Accounting Standards (IASs) and Mir and Rahaman (2005) evaluate the decision by using a variety of archival data and interviews with key players, including preparers and users of annual reports, members of the Securities and Exchange Commission, and members of the professional accounting bodies: ICAB and ICMAB. They found that institutional legitimization is a major factor that drives the decision to adopt IASs and IFRS because of the pressure exerted by key international donor or lending institutions on the Bangladeshi government and professional accounting bodies. Such pressure results from not only the need to provide credibility to foreign investors but also the need for strong accountability arrangements with lending or donor agencies. However, the perceived undemocratic nature of the adoption process appears to be creating and enhancing conflict among various constituencies, resulting in very low compliance with these standards. World Bank report noted in 2003 that "the accounting and auditing practices in Bangladesh suffer from institutional weaknesses in regulation, compliance, and enforcement of standards and rules."

Corporate governance systems revolve around four core principles: Fairness, accountability, responsibility and transparency. The specific challenges of upholding these principles depend on the ownership structure of the corporate sector. However, in Bangladesh, general practice is that the corporate structure is dominated by family members (World Bank, 2003). Such practice hinders the level of fairness, accountability and transparency.

As voluntary disclosure depends on management's judgment, Healy and Palepu (2001) discussed management motives for making decision on voluntary disclosure for the reason of capital market. They provide instances of company which tend to provide more voluntary disclosure such as a company, which expects to issue the new share or public debt, will concern about investors' perceptions of the company and consequently tend to disclose more information to reduce the problem of information asymmetry and reduce the company's cost of external financing. In contrast, a company, which concerns that disclosure can damage their competitive position in product markets, tends not to disclose their information. Also, managers whose risk of job loss have been aligned with poor stock and earning performance or managers who receive stock compensation have incentives to provide more voluntary disclosure to avoid the investors undervalue the company and explain away poor earning performance. Another motivation is a threat of shareholders litigation which may have two affects on manager's disclosure decision both increasing voluntary disclosure to avoid legal action for inadequate or untimely disclose and decreasing managers' incentives to provide disclosure like forward-looking information.

Rewarding managers with stock-based compensation plans, such as stock appreciation rights and stock option grants, is another motive for increased voluntary information disclosure (Healy & Palepu, 2001; Graham et al., 2005). Increased voluntary disclosure of information decreases the cost of information acquisition by analysts; since management's private information is not totally required by mandatory disclosure. The number of analysts following the company would increase as a result of increasing the amount of information available to them (Lang & Lundholm, 1996; Graham et al., 2005). Accordingly, talented managers voluntarily disclose information about earnings forecasts to reveal their talent (Healy & Palepu, 2001; Graham et al., 2005).

One great characteristic in corporate reporting is that a company generally provides information to release specific obligations: to society, investors, suppliers, creditors and legal authorities. However, the decision to provide or not to provide certain information is likely to be influenced by a variety of factors like independent directors, size of the firm, profitability, audit committee, board size, board leadership structure, ownership structure, leverage, family control and listing status to find out their links with disclosure. Previous studies examine various company attributes and try to find out their association to the level of voluntary disclosure, for example, Aktaruddin, et al (2009) in Malaysia; Hossain & Hammami (2009) in Qatar; Ho & Wong (2001) in Hong Kong; Barako, (2007) in Kenya; Chau & Gray(2002) in Hong Kong and Singapore; Lim, S. et al. (2007) in Australia; Myburgh, (2001) in South Africa; Hongxia & Ainian (2008) In China; Bradbury(1992) in New Zealand; Hossain, Perera, & Rahman (1995) in New Zealand; Hossain, et al. (1994) in Malaysia; Ferguson, et al.,(2002) in Hong Kong; Hossain & Reaz(2007) in India; Alsaeed(2006) in Saudi Arabia; Naser et al.(2006) in Qatar; Al- Shammari(2008) in Kuwait. No such kind of study was carried out with special reference to Bangladesh. The present study focuses the level of disclosure linking to firm size, profitability, percentage of female directors, percentage of independent directors, board leadership structure, board size and ownership structure.

1.2 Justification of the study

Industrialization now-a-days is a key factor in achieving overall economic development of a country. To patronize industrialization, the confidence of investors and stakeholders can be gained by following two steps. First step is to ensure a smooth flow of adequate, reliable, relevant and neutral information regarding the company’s operating activities. It is possible only by establishing a sound financial disclosure system. Second step is to implement good corporate governance practices in the corporate sectors.

The prevalent corporate voluntary disclosure system in the corporate sector of Bangladesh is not suitable at all to meet the users’ information need. Most of the companies cover up their voluntary disclosure as far as possible. As there are legal provisions regarding the voluntary disclosure, the companies cook up their accounts as window dressing in their annual reports.

Consequently, investors have lost their confidence in the voluntary disclosure of companies and abstained from more investment in the stock market. Similarly, good corporate governance is a vital issue for corporate success. But there is lack of good governance in the corporate sector in Bangladesh because there is a family culture in the governing activities of the joint stock company (World Bank, 2003). As a result, most of the users and all other concerned parties are not satisfied with the voluntary disclosure practices and governance activities in the corporate sector of Bangladesh.

For the achievement of economic development and survival in the competitive business world, the above problems are needed to be overcome as early as possible. It requires thorough investigation of the causes responsible for voluntary disclosure and poor governance in the corporate sector of Bangladesh. This study finds the factors influencing the voluntary disclosure. By using the finding of the study, policy makers, planners, researchers and decision makers of the companies can improve the level of voluntary disclosure which is one of the indicators of good corporate governance that can eventually contribute to restore the confidence of the investors as well as other stakeholders and patronize industrialization.

1.3 Scope of the study

This study covers mainly three aspects which are as follows:

First: To evaluate the level of corporate voluntary disclosure of listed non-financial companies in Bangladesh.

Second: To examine the association between firm-specific characteristics, corporate governance and the extent of voluntary disclosure.

Third: To measure the user's perception regarding the existing voluntary disclosure system that is followed by the concerned companies in Bangladesh.

1.4 Research question(s) and linkages with different chapters

The research has been carried out on the basis of one main research question (RQ) and some sub-research questions (SRQs). The main research question (RQ) is:

"What are the factors that influence listed companies in Bangladesh to disclose voluntary information in their annual reports?"

The research question has been judged on the basis of the following SRQs:

SRQ –1: What is the level of voluntary disclosures? How can disclosure be measured? This is related with available literatures, publications, research works, and so on. These two sub questions are addressed in Chapters-1, 2 and 5.

SRQ–2: What is the regulatory environment of corporate governance in Bangladesh? This is explained in Chapter-3.

SRQ – 3: How are the variations in corporate voluntary disclosure practices of Bangladeshi listed companies explained by relevant theoretical framework? This is addressed in Chapter-4.

SQR – 4: To what extent did voluntary disclosures of listed companies change over the period under the study (2007-2011)? This is examined in Chapters-6.

SRQ – 5: What are the variables that are significantly associated with the level of voluntary disclosure? This is examined in Chapter-6.

SRQ – 6: What is the users' perception about corporate voluntary disclosure in Bangladesh? This is examined in Chapter-7.

1.5 Objectives of the study

The main aim of this study is to examine the level of voluntary disclose in the annual reports of Bangladesh. The specific objectives of the study are:

1. To examine the voluntary disclosure practices by listed companies in Bangladesh.
2. To identify the nature and extent of voluntary disclosure of information made by the listed companies in Bangladesh.

3. To examine whether the level of voluntary disclosure has changed over time.
4. To examine the association between firm-specific characteristics, corporate governance attributes and voluntary disclosure of listed companies in Bangladesh.
5. To know the users' perception regarding the voluntary disclosure practices by the listed companies operating in Bangladesh

1.6 Plan of the dissertation

The dissertation has been organized into several chapters, which are presented below:

Chapter One contains the prelude, statement of the problem, justification of the study, scope of the study, research question(s) of the study and linkages of different chapters, objectives of the study and structure of the dissertation.

Chapter Two provides the summary of the related literature from the perspective of developed, developing countries and research gap.

Chapter Three deals with an overview of the regulatory environment of corporate governance in Bangladesh. It also addresses the disclosure position of aspects reflecting the transparency and accountability level of director in their governing activities.

Chapter four contains an overall theoretical framework of the study. It covers meaning of corporate financial reporting, types of corporate financial reporting, objectives of corporate financial reporting, qualitative characteristics of accounting information (SFAC No.8) issued by FASB, the voluntary disclosure of information, theories supporting voluntary disclosure of information such as agency theory, signaling theory, legitimacy theory, stakeholder theory, hypotheses development which includes level of disclosure linking to firm size, profitability, percentages of female directors, percentages of independent directors, board leadership structure, board size and ownership structure.

Chapter Five deals with research design, measurement of variables, types of data, secondary data, sample selection and data collection, the selection of index-weighted vs. un-weighted, development of a voluntary disclosure index, data analysis: the descriptive statistics, the correlation of variables, model specification and multiple regression , primary data, preparation of questionnaire, respondent group, analysis of data and operational definitions of variable, expected signs and relationship in the regression.

Chapter Six deals with the comparative analysis between firm specific characteristics and corporate governance with the level of corporate voluntary disclosure level that includes development of voluntary disclosure index, top and lowest ranking companies, disclosure levels by the sample companies in Bangladesh, model building of hypotheses test, descriptive statistics, correlation analysis, regression analysis using aggregate disclosure index of total voluntary disclosure items, summary of the regression results and conclusion.

Chapter Seven contains the users' perception about several aspects of corporate voluntary disclosure. The factors are dependent, importance, relevance, predictive value, confirmatory value, materiality, faithful representation, completeness, neutrality, Free from error, comparability, verifiability, timeliness, understandability, reliability, capability level of corporate voluntary information comprised in corporate annual report in Bangladesh.

Chapter Eight is the concluding chapter of the dissertation. This chapter includes introduction, summary of the research methods and objectives, research findings, contributions to knowledge and limitations of the study and directions for further research.

CHAPTER-2

LITERATURE REVIEW

CHAPTER-2

LITERATURE REVIEW

2. Introduction

The review of literature means a critical review of all the available research works already done in the field in order to identify the hiatus or knowledge gap in the field. A good number of previous studies have investigated in the following sections to find out the research/ knowledge gap.

2.1 Developed Country Perspective

Al-Razeen and Karbhari (2004) studied the interaction between compulsory and voluntary disclosure in Saudi Arabian corporate annual reports taking sample from both listed and non-listed companies. The data were analyzed by constructing three separate disclosure indices relating to mandatory disclosure, voluntary disclosure that closely relates to mandatory disclosure and voluntary disclosure that was not closely related to mandatory disclosure. The results revealed that there was a significant positive relationship existed between mandatory disclosure and voluntary disclosure related to the mandatory disclosure index. The study also reported that the correlation between voluntary disclosure and the other two indices was found to be weak and insignificant.

Al-Razeen and Karbhari (2004) studied the users' perceptions of corporate information in Saudi Arabia. The sources of information included annual corporate reports, interim reports, specialist's advice, friend's advice, new papers and magazines, specialized publications, direct information from companies and market rumors. The sample companies of five major user groups, namely individual investors, institutional investors, creditors, governmental officials and financial analysts.

The study revealed that the corporate annual report is the most important source of corporate information to all of the participating user groups. Individual investors were found to attach lower importance to obtaining information directly from companies than the other groups in their sample. The fact that creditors valued direct information from companies more importantly than the other groups is perhaps because creditors in Saudi Arabia are in a much stronger position to demand formal information from companies.

A study by Aljifri (2008) examined the extent of disclosure in annual reports of 31 listed firms in the UAE and also determined the underlying factors that affect the level of disclosures. The study hypothesizes that four main factors would affect the extent of disclosure in the UAE, namely, the sector type (banks, insurance, industrial, and service), size (assets), debt–equity ratio, and portability. Findings indicated that significant differences are found among different sectors; however, the size, the debt–equity ratio, and the portability were found to be insignificantly association with the level of disclosure.

Bruce and Merridee (2006) investigated corporate governance factors influencing voluntary disclosure by publicly traded Canadian firms. They focused on disclosure of the corporate governance practices implemented by their sample of TSE 300 firms vies a visa the fourteen guidelines set out in the TSE's report on corporate governance. The study used simultaneous equations multivariate analysis.

Their analysis indicates that very few of these firms disclose having fully implemented the TSE guidelines, and that the extent of disclosure of corporate governance practices implemented varies widely among the firms.

Chau and Gray (2002) studied the association between ownership structure and corporate voluntary disclosure in Hong Kong and Singapore taking 62 homogeneous industrial companies. The voluntary disclosure checklist is based on the one developed in the study by Meek et al. (1995), which examined the voluntary disclosures of US, UK and Continental European companies. The items on the checklist were categorized into three information types: strategic information; non-financial information and financial information. A linear multiple regression analysis is used to test the association between the dependent variable of voluntary disclosure and the independent variable of ownership structure.
The result shows that the extent of outside ownership is positively associated with the voluntary disclosure. The result also indicates that the level of information disclosed is likely to be less in family controlled companies.

Eng and Mak (2003) examined the impact of ownership structure and board composition on voluntary disclosure. Ownership structure is characterized by managerial ownership, block holder ownership and government ownership, and board composition is measured by the percentage of independent directors. The sample for this paper is drawn from firms listed on the Stock Exchange of Singapore (SES) as at the end of 1995. They employ ordinary least squares (OLS) regression to examine the relationship between voluntary disclosure and the explanatory variables. They have also used an aggregated disclosure score that measures voluntary disclosure of strategic, non financial and financial information, based on a sample of 158 Singapore listed firms.
The result shows that lower managerial ownership and significant government ownership are associated with increased amount of disclosure. However, block holder ownership is not related to disclosure. An increase in outside directors reduces corporate disclosure. They have also found that larger firms with lower debt have greater disclosure.

Gerald and Sidney (2002) examined the association of ownership structure with the voluntary disclosures of listed companies in the Asian settings of Hong Kong and Singapore. In this study, samples selected from Hong Kong and Singapore is homogeneous, only industrial companies are selected. These companies fall into industrial sectors such as food and beverages; shipping and transportation; publishing and printing; electronics and technology; building materials and construction in the listed on the SEHK (Stock Exchange of Hong Kong) and Stock Exchange of Singapore (SES) as of December 31, l997.

The paper has shown that voluntary disclosure behavior by Hong Kong and Singapore listed companies provide support for the agency theory-based hypothesis that there is a positive association between wider ownership and the extent of voluntary disclosure. The empirical findings also highlight the importance of the contextual characteristics of Hong Kong and Singapore. The strong prevalence of "insider" and family-controlled companies are likely to be associated with lower levels of disclosure.

Goodwin and Seow (2002) examined the perceptions of auditors and directors in Singapore about corporate governance practices relating to the quality of financial reporting and auditing. In the first case, the strength of the audit committee, the existence of an internal audit function and the strength of a corporate code of conduct were manipulated. All three variables are perceived to have some influence on financial reporting and audit quality. However, some interesting differences are found between the perceptions of auditors and directors. Auditors place more weight on the internal audit function; possibly due to their familiarity with the role that internal audit can play in reducing audit risk and enhancing controls. Directors have more confidence in board enforcement of a strong code of conduct, possibly reflecting the view that this encourages staff to adhere to higher ethical standards. In the second case, audit partner rotation, outsourcing of internal audit services and whether the audit firm audited all companies within a group are manipulated.

Auditors believe that their ability to resist management pressure is enhanced when they audited all companies within the group. No significant differences have been found in the other variables, suggesting that neither group believes that these practices impair audit independence and argue that sound governance by board of directors influence the quality of financial reporting.

Haniffa and Cooke (2002) examined the influence of human factors to the extent of voluntary disclosure. This paper investigates whether corporate governance and personal attributes in addition to company-specific characteristics are possible determinants of voluntary disclosure in Malaysia. Samples are taken from 167 Malaysian non-financial and non-unit trusts companies in 1994 with KLSE. Multiple regression method was used to test the hypotheses developed in this study.
They support that foreign ownership is positively associated with the level of voluntary disclosure. They also find a positive and significant association between the firm's profitability and the extent of voluntary disclosure. Specifically, the chairman as non-executive director is negatively associated with the extent of voluntary disclosure and has the highest regression coefficient and this seem to contradict agency theory which suggests that a non-executive chair is needed as a check and balance mechanism.

Hossain and Mitra (2004) examined the role of firm specific factors such as size, leverage and assets-in-place in determining the level of voluntary disclosure of interim data on foreign operations made by US multinational companies.
The results of this study indicate that firm size, leverage and assets-in-place systematically influence the level of voluntary disclosure of geographic segment data of US multinational companies in interim periods. Thus, the study extends the existing disclosure literature by demonstrating that, among other things, certain firm-specific attributes significantly makes impact on a US multinational company's decision to voluntarily disclose interim geographic segment data.

Hossain and Hammami (2009) investigated the determinants of voluntary disclosure in the annual reports of 25 listed firms of Doha Securities Market (DSM) in Qatar of 2007. It also reports the results of the association between company-specific characteristics and voluntary disclosure of the sample companies. A disclosure checklist consisting of 44 voluntary items of information is developed and statistical analysis is performed using multiple regression analysis.
The findings indicate that age, size, complexity, and assets-in-place are significant and other variable profitability is insignificant in explaining the level of voluntary disclosure.

Ho and Taylor (2013) investigated the impact of corporate governance on voluntary disclosure of different types of information in annual reports of Malaysian listed firms. A linear regression model is used to test the association between the level of voluntary disclosure of five key information categories and corporate governance. The sample consists of 100 firms over three different socio-economic periods: 1996, 2001 and 2006. There are significant increases in all the key information categories with better communication most pronounced between 1996 and 2001, and a noticeably lower level of communication growth between 2001 and 2006. The strength of a firm's corporate governance structure clearly influences the voluntary disclosure of information relating to corporate and strategic directions, directors and senior management, financial and capital markets.

Islami and Chandler (2005) identified the perceptions of professional investors regarding the use and usefulness of corporate quarterly reports of companies in Malaysia. Respondents were asked to indicate the extent to which they agree with each of the six purposes of quarterly reporting, based on a Likert scale of 1=strongly disagree, 2=disagree, 3=undecided, 4=agree and 5=strongly agree. Stock broking firms, unit trust fund companies, fund management companies, investment advisory firms and large public fund organizations were the target organizations for respondents in this study. As at the end of 2001, 223 of such firms were identified. Questionnaires were mailed to each of the head of analysts and head of fund managers of these companies.

The findings show that quarterly reports are used and are useful, although the reports are not the most sought-after source of information. This paper provides evidence that the purpose of quarterly financial reports goes beyond forecasting the forthcoming annual results. The reports are also utilized, among other things, to predict results beyond the current period and to provide feedback information concerning financial performance for comparison with earlier expectations. This paper suggests that the relative usefulness of quarterly financial reporting would depend on the type of investors. Also, the findings may be useful to policy makers in preparing regulations on quarterly financial reporting as well as to provide opportunities for more research on the subject.

Khalid (2006) assessed the level of disclosure in the annual reports of non-financial Saudi firms and to empirically investigate the hypothesized impact of several firm characteristics on the extent of voluntary disclosure. A disclosure checklist consisting of 20 voluntary items is developed to assess the level of disclosure in the 2003 annual reports of 40 firms, forming approximately 56 percent of the total firms incorporated in Saudi Arabia. The association between the level of disclosure and some firm characteristics is examined using multiple linear regression analysis.

The results show that the firm size is significantly positively associated with the level of disclosure. The remaining variables, however, are found to be insignificant in explaining the variation of voluntary disclosure.

Lim, Matolcsy and Chow (2007 examined the association between board composition and voluntary disclosure in annual reports. This study sample is based on 181 Australian companies. A two-stage least squares regression (2SLS) model is used to estimate the effect of board composition on voluntary disclosure.

They found that there is a positive and significant association between board composition and the voluntary disclosure of information in annual reports. They also found that independent boards provide more voluntary disclosure of forward looking quantitative information and strategic information. However, board structure has no bearing on the voluntary disclosure of non-financial and historical financial information.

McKinnon and Dalimunthe (2009) investigated the economic incentives motivating listed diversified companies in Australia to voluntarily disclose segment information. The study is based on a sample of 65 listed diversified companies. Support is found for ownership diffusion, the level of minority interest in subsidiaries, firm size and industry membership as factors influencing the voluntary disclosure of segment information.
They have found favorable support that Australian diversified firms are more likely to voluntarily disclose segment information if they have minority interests in their subsidiary companies. This result also indicates that No support is found for leverage or diversification into related versus unrelated industries.

Patelli and Prencipe (2007) examined the role of stand-alone control systems within the relationship between owners and managers. This study investigates the correlation between two control mechanisms voluntary disclosure and independent directors - in companies characterized by the presence of a dominant shareholder that is supposed to mitigate the classical agency problem. They have carried out the empirical analysis on 175 non-financial Italian listed companies, all controlled by a dominant shareholder.
The study finds that voluntary disclosure is measured through three alternative disclosure indexes. Independent directors are identified not only according to a legal definition, but also through stricter criteria. The empirical test is based on a multivariate analysis controlling for size, residual ownership diffusion, leverage,

profitability and labor pressure. Results support their hypothesis and are robust to alternative criteria to identify dominant shareholders. Their study contributes to a better understanding of the relationship between different control mechanisms in particular agency settings.

Petersen and Plenborg (2006) examined the level of voluntary disclosure that affects informational asymmetry for individual industrial companies listed on the Copenhagen Stock Exchange (CSE). By analyzing the annual reports of 36 companies for the period 1997-2000, they investigated whether voluntary disclosure does have an impact on information asymmetry. The theoretical foundation employed for their study is that the information asymmetry should be reduced by greater disclosure.
The results indicate that voluntary disclosure is negatively associated with proxies for information asymmetry. The results are robust even after controlling for various firm characteristics introduced in related literature. Despite differences in institutional settings the findings in their paper are similar to the ones based on US data.

Peter and Sue (2005) examined the relationship between the voluntary disclosure of information about corporate governance practices and the intention to raise external finance. The study was based on secondary data in 299 annual reports of Australian Stock Exchange (ASE) of 1994. Regression analysis has been used of this paper.
The paper has shown that the voluntary disclosure of corporate governance information is positively associated with the intention to raise equity capital, but not with the intention to raise debt capital.

Pike, jingLi and Haniffa (2008) investigated the relationship between intellectual capital disclosure and corporate governance variables, controlling for other firm-specific characteristics, for a sample of 100 UK listed firms. Intellectual capital disclosure is measured by a disclosure index score, supported by word count and percentage of word count metrics to assess the variety, volume and focus of intellectual capital disclosure respectively. The independent variables comprise various forms of corporate governance structure: board composition, ownership structure, audit committee size and frequency of audit committee meetings, and CEO role duality.

Results of the analysis based on the three measures of intellectual capital disclosure indicate significant association with all the governance factors except for role duality.

2.2 Developing Country Perspective

Akhtaruddin, Hossain, Hossain and Yao (2009) examined the governance factors such as board size, proportion of independent directors (INDs) on board, outside share ownership, family control and percentage of audit committee members to total members on the board. They have used ordinary least squares regression model to examine the relationship between explanatory variables and voluntary disclosure. Sample of the firms were downloaded 94 annual reports. The findings of their study have a positive association between board size and proportion of INDs with the voluntary disclosure. However, the extent of voluntary disclosure is negatively related to family control and the ratio of audit committee members with total member of the board.

Apostolos and Konstantinos (2009) found that financial accounting disclosure practices are not arbitrary, but are influenced by company characteristics and corporate governance. In order to examine the validity of this hypothesis, two disclosure indexes are built using as sample the published annual reports for 2004 of all the listed manufacturing and construction companies in the Athens Stock Exchange (ASE). The first index contains items which are mandatory according to Greek general accepted accounting principles (GAAP); and the second index contains items which are mandatory according to a number of selected international accounting standards (IASs) but which are voluntary at the time that the research was conducted. The study uses a cross-section model, in which each type of disclosure index is regressed on proxy-related variables with corporate governance and voluntary disclosure in order to detect the existence of a statistically significant relationship.

The major finding of this research is that there is a significant extent of noncompliance in respect of IASs and the disclosures of Greek regulations. The key factors associated with the levels of compliance with IASs include the composition of the board of directors, profitability and the number of common shares. The public firms in the sample have shown that because of the political cost, the management is forced to disclose accounting data and support transparency.

Barako (2007) examined the factors associated with voluntary disclosure of four types of information: general and strategic, financial, forward-looking, and social and board information in the annual reports of Kenyan companies. In total, 54 sample companies are considered for inclusion in the study. This study provides longitudinal examination of voluntary disclosure practices in the annual reports of listed companies in Kenya from 1992 to 2001. The study investigates the extent to which corporate governance attributes, ownership structure and company characteristics influence voluntary disclosure of various types of information. They use pooled ordinary least square (OLS) with panel-corrected standard errors (PCSEs).

The study indicates that disclosures of all types of information are influenced by corporate governance attributes, ownership structure and corporate characteristics. In particular, the results also suggest that size and companies in the agricultural sector are significantly associated with the voluntary disclosure of all four types of information disclosure.

Barako, Hancock and Izan (2006) evaluated the association between corporate governance attributes and the level of voluntary disclosure in the annual reports of listed companies. Corporate governance practices-key among them are: establishment of an audit committee, independence of non-executive directors and separation of the roles chip executive officer (CEO) and board chair. The study is based on secondary data in annual report of Nairobi Stock Exchange (NSE) for the entire period of the study and 54 sample companies were considered for inclusion in the study 1992-2001. In this study agency theory examines the association of corporate governance practice with the voluntary disclosures of selected information in the annual reports of Kenyan companies. Due to the panel nature of their data, to estimate the determinants of voluntary disclosure of various types of information, they use pooled ordinary least square (OLS) with panel-corrected standard errors (PCSEs).

The paper indicates that the presence of an audit committee is a significant factor associated with the level of voluntary disclosure. The proportion of non-executive directors on the board is found to be significantly and negatively associated to the extent of voluntary disclosure.

Bhayani (2012) investigated the quantum of corporate disclosure and its relationship with corporate characters such as size, profitability, leverage, listing status, shareholding pattern, audit firm, residential status of the firm and age of the sample companies. The study uses the disclosure index to measure corporate disclosure on a sample of NSE 50 firms for period of 2008-09 to 2010-11. An un-weighted disclosure index with 74 reporting items were applied to sample firms. To measure the association between the variables of the study Pearson correlation matrix was used.

The results of the study indicate that the extent of corporate disclosure within the sample firm varies within 15% to 75% for the period of study. It has also been observed that the extent of corporate disclosure is influenced by listing status of the firm, ownership structure, leverage of the firm, size of the audit firm and profitability. The companies with large assets size, higher profitability, higher leverage, listing in foreign stock exchange, lower holding of promoters share and audited by big audit firms have tendencies to be more transparent and hence disclose more information. However, age of a company and residential status do not significantly influence the level of corporate disclosure.

Botosan and Harris (2000) examined the determinants and effects of managers' decisions on segment disclosure frequency. Their sample consists of 107 multi-segment firms reporting industry segment data in their annual reports between 1987 and 1994. They find that during the two-year period leading up to the change, change firms experienced a decline in liquidity (measured by trading volume) and an increase in information asymmetry (measured by analyst forecast consensus). In addition, change firms were more likely to have made acquisitions and to have operations in industries in which other firms also provide quarterly segment disclosure.
They find no significant differences between change and non-disclosing firms with respect to shifts in their competitive environments.

Chen and Jaggi (2000) examined whether comprehensive financial disclosures, used as a proxy for corporate board’s responsiveness, are positively associated with the proportion of independent non-executive directors (INDs) on corporate boards, and whether family control of the firm has an impact on this association.
The findings suggest that the ratio of INDs to the total number of directors on corporate boards is positively associated with the comprehensiveness of financial disclosures, and this association appears to be weaker for family controlled firms compared to non-family controlled firms.

Cheng and Courtenay (2006) examined the association between board monitoring and the level of voluntary disclosure. It finds new evidence that firms with a higher proportion of independent directors on the board are associated with higher levels of voluntary disclosure. Although board size and CEO duality are not associated with voluntary disclosure, boards with a majority of independent directors have significantly higher levels of voluntary disclosure than firms with balanced boards.
This paper finds that the presence of an external governance mechanism, the regulatory environment, enhances the strength of the association between the proportion of independent directors and the level of voluntary disclosure. This association is some two to three times greater under a "disclosure-based" regulatory regime than under a "merit-based" regulatory regime.

Chow and Wong-Boren (1987) examined the extent of disclosure in three firm characteristics, viz. firm size, financial leverage, and the proportion of assets in place. They selected 52 listed manufacturing companies for the year 1982 from the Mexican Government's 1982 official gazette. They develop a disclosure index consisting of 89 items of information. Using a seven point scale, they judged the importance of the items considered to be significant from the viewpoint of 106 loan officers of 16 Mexican banks.
They found that the extent of voluntary disclosure increased with firm size being measured as the market value of equity plus book value of debt. However, they did not find any significant association between financial leverage and assets in place and the extent of voluntary disclosure.

Foyeke, Odianonsen and Aanu (2015) evaluated the role of financial performance and the size of firms in the voluntary disclosure of Nigerian companies using the financial data of 137 companies both from the financial and the non financial sectors in Nigeria. The study uses the weighted logistic regression method of analyses to evaluate the type of relationship that exists between corporate governance disclosure practices of Nigerian companies with company size and financial performance. The study reveals that there is a significant positive relationship between the financial performance of companies and corporate governance disclosure. It also revealed that there is a significant positive relationship between firm size and corporate governance voluntary disclosure.

Felo (2009) analyzed the role board composition and splitting the CEO and chairman roles in improving disclosure transparency. The results indicate that after controlling for audit committee composition, board composition and whether the CEO is also the chairman are related to various measures of disclosure transparency. He has found that greater insider participation on the board (regardless of level of financial expertise) is related to less transparent disclosures. Only independent directors with financial expertise are related to more transparent disclosures. Gray directors with accounting expertise are related to less transparent disclosures in company annual reports.
Finally, having the same person fill the CEO and chairman roles is related to greater disclosure transparency. These results indicate that limiting the insider participation and adding independent financial experts to boards may improve disclosure transparency, but splitting the role of CEO and chairman may not.

Ghani, Laswad and Tooley (2009) examined users' perceptions of three digital reporting formats: PDF, HTML and XBRL. Using public accounting practitioners as participants, this study examines users' perceptions of different reporting formats used in disseminating financial information. This study includes examining the link between users' perceptions and preferred reporting format and whether these perceptions are similar to the quality of their decision in the completion of a specific task.
The results indicate that users' perceptions of usefulness among the digital reporting formats differ significantly. However, perceptions of ease of use are

similar across the three digital reporting formats. Users' perceptions are also found to influence their preferred reporting format. The findings also show that users' perceptions of usefulness are analogous to their decision accuracy for HTML and XBRL formats but not for PDF format. Perceptions of ease of use, however, do not correspond to actual cognitive effort for all reporting formats. The results indicate that if more advanced forms of digital reporting are to be encouraged, there is also the need for users to be made more aware of the benefits to be gained from the different forms of reporting.

Ho and Wong (2001) provided a comprehensive and up-to-date evidence of current practice and perceived effectiveness of corporate disclosure of listed companies in an emerging economy-Hong Kong. The study compares the perceptions of chief financial officers (CFOs) and financial analysts about a variety of information flow, disclosure and capital market efficiency issues. It also seeks to determine whether there is a perceived need for increased financial reporting regulations and to what extent this and other alternative means might improve market functioning. A questionnaire survey of the 610 chief financial officers (CFOs) of all listed firms in Hong Kong has been conducted to determine the existence of an audit committee in their firms. Another version of the questionnaire was sent to 535 financial analysts from all investment or brokerage firms in Hong Kong in late 1997 and early 1998.

The study finds that positive association between the presence of an audit committee and financial disclosure. They do not find an association between the number of outside non-executive disclosures and the extent of voluntary disclosure. They also find a negative relation between family controlled firms and the level of voluntary disclosure.

Hossain and Reaz (2007) reported the results of an empirical investigation of the extent of voluntary disclosure by 38 listed banking companies in India. It also reports the results of the association between company specific characteristics and voluntary disclosure of the sample companies. The study has revealed that Indian banks are disclosing a considerable amount of voluntary information.

The findings also indicate that size and assets-in-place are significant and other variables such as age, diversification, board composition, multiple exchange listing and complexity of business are insignificant in explaining the level of disclosure.

Hongxia and Ainian (2008) examined the influence of Chinese listed companies' corporate governance structure on voluntary disclosure in 100 non-financial Chinese listed firms for the period of 2003-2005.

The paper shows that firms with high managerial ownership have high level of voluntary disclosure because capital structure with high managerial ownership decreases agency costs and increases the voluntary disclosure. The big listed companies carry on the voluntary information disclosure positively. Finally, enhancing the repayment level of managers is also advantageous to enhance voluntary information disclosure for listed companies.

Karim, Shahin and Arqawi (2009) investigated the perception of users regarding the availability, adequacy and usefulness of information disclosed in the financial reports of companies listed on the Palestine Securities Exchange. A survey methodology was utilized involving a selected sample of information users, i.e., individual and institutional investors, analysts, academics and intermediaries. A questionnaire survey was designed where respondents were asked to determine the degree of importance of each information item using Likert-type five scales.

Results of the study demonstrated that users perceive reported information as neither adequate nor relevant to investment decisions. In particular, reported information was insufficient, as listed companies did not comply with the minimum disclosure requirements of international standards. This unfavorable perception, along with poor credibility and bad timeliness of the disclosures, has prevented information from being impounded into stock prices.

Kusumawati (2006) tested empirically the relationship between profitability and the level of corporate governance voluntary disclosure. The relationship is controlled with other firm characteristics variables, which are size, listing status, auditor status, industry and dispersed ownership level. The good corporate governance (GCG) disclosure level is measured using 161 items recommended by GCG codes which are developed by KNKCG (2001). Sample is taken from annual reports 2002 published by public companies listed on Jakarta Stock Exchange.
This study finds that profitability affects good corporate governance voluntary disclosure level negatively. It implies that when companies are facing decline in profitability, they will tend to give more disclosure about corporate governance practices. Limitation of this study is that it could only make comparison between the ideal pictures with the practices disclosed by management.

Kurawa and Kabara (2014) examined the impact of corporate governance on voluntary disclosure by firms in the downstream sector of the Nigerian petroleum industry over the period 2001-2010. A sample of seven firms listed on the floor of Nigerian Stock Exchange was studied. The study made use of secondary data generated from annual reports and accounts of the sampled companies and Nigerian Stock Exchange fact book. The data was analyzed by means of descriptive statistics and regression analysis using STATA package.
The results reveal that ownership concentration being one of the major determinants of corporate governance has significant positive association with the extent of voluntary disclosures; whereas the relationship with board composition shows positive but insignificant association. However, managerial ownership and CEO duality indicate negative relationship with voluntary disclosure of the sample firm.

Myburg (2001) evaluated the perceptions of the users and the compilers of annual and interim reports on the importance of voluntary disclosure practices of listed industrial companies in South Africa. The questionnaires have been designed to extract from the internal and external users of the annual and interim of the listed industrial companies the relative importance of 49 voluntary disclosed items. The items selected are based on the items used by the bureau of financial analysis in 1998. The data have been analyzed by means of the statistical analysis system of the bureau of financial analysis at the University of Pretoria.
The result indicates that no significant differences were found between the perception of the compilers and of the users in the case of 32 of the 49 voluntary disclosed items.

Narjess, Jean and Omrane (2005) investigated the relation among ownership structure, investor protection and firm performance. They have used a unique sample of 209 firms that encompasses both emerging markets (25) and industrialized countries (14) that were privatized between 1980 and 2001.
The result shows that firm ownership concentration is positively related to firm performance and has found that the effect of ownership concentration on firm performance is stronger in those countries in which investor protection is weaker. These results suggest that ownership concentration is a key mechanism of corporate governance in such countries.

Persons (2009) examined specific characteristics of an audit committee which could be associated with the likelihood of earlier voluntary ethics disclosure. The sample includes firms that were investigated by the Securities Exchange Commission (SEC) for fraudulent financial reporting before the Sarbanes-Oxley Act's ethics rule became effective, and their matched no-fraud firms.
This study finds that the level of voluntary ethics disclosure was very low compared to the current mandatory disclosure. Results suggest that firms which made earlier

voluntary ethics disclosure were likely to have a larger and more independent audit committee that met more often, and were less likely to engage in fraudulent financial reporting. This result should help policy-makers, investors and boards of director's focus on these audit committee characteristics. This result also indicates a firm's propensity to make any voluntary disclosures, and may help to explain the differential quality of current mandatory ethics codes in the United States.

Rosario and Flora (2005) examined the relationships among corporate characteristics, the governance structure of the firm, and its disclosure policy. Empirical evidence supporting this investigation has been gathered from a sample of Spanish firms listed on the Madrid Stock Exchange (MSE).
Their results show that a firm's size, along with some mechanisms of corporate governance such as the proportion of independents on the board, the appointment of an audit committee, and directors' shareholdings and stock option plans, are positively related to voluntary disclosure. They have also observed that these governance practices are significantly influenced by cross-listings and by the ownership structure of the firm.

Samir, James and Fornaro (2003) found that senior managers of large corporations are more likely to issue report of management's responsibilities (RMRs) for two reasons: (i) confidence in the effectiveness of the internal control system. Larger firms have the resources to develop and implement effective internal control system that provide senior management with assurances as to the validity of the internal operating processes and accuracy of financial records and (ii)mitigating political exposure. The research paper employs logistics regressions on a random sample of 500 firms, stratified by year, from all firms listed in the AICPA's accounting trends and techniques (ATT) during the period 1996 to 2000.
The paper has shown that significant association among senior management's decision to issue a RMR and firm size and profitability. Senior management at more

profitable firms was also more likely to signal or promote their effective stewardship and leadership over the firm by publishing a RMR. The results also indicate that senior management at firms operating in volatile or uncertain environments were less forthcoming with RMRs, demonstrating an aversion to additional voluntary disclosure in risky circumstances. The findings also indicate limited influence on senior management's decisions by those with monitoring responsibilities such as institutional investors, audit committees and independent auditors.

Simon and Kar (2001) tested a theoretical framework relating four major corporate governance attributes with the extent of voluntary disclosure provided by listed firms in Hong Kong. This study a weighted relative disclosure index is used for measuring voluntary disclosure.
The paper has shown that companies with a higher ratio of independent non executive directors to total directors on board would more likely have a higher extent of voluntary disclosure was not supported, and companies which have an audit committee are more likely to have a higher extent of voluntary disclosure that was supported. Although the study has found the expected relationship between corporate governance variables and disclosures, it is not certain whether the results were due to the hypothesized causality.

Wang Xue (2008) studied the association voluntary disclosure behavior and Strategy in Chinese Listed Companies using Botosan (1997)'s disclosure Score for reference (6), and constructs a voluntary disclosure index (VDI) system for China's listed companies. This paper provides a statistical description of the status quo of the voluntary disclosure behavior in Chinese listed companies, and claims that the voluntary disclosure strategy guided by the investor relations management should be included in the corporate strategies. This paper strengthens the indexes such as background, performance, challenges and countermeasures, core product information; adds indexes related to the current situation of China such as macro

policies impact, bank loan and mortgage information; cancels some indexes that none of Chinese listed companies disclosed, such as price change impact.
The researcher found that 77.44% of background information, 12.2% of other information, 47.97% of core product information, 56.75% of forecast information and 61.14% of management's discussion and analysis information of voluntary disclosure index(VDI) and disclosed by sample companies. The total VDI score of sample companies is 53.4 with the maximum and minimum score of 83 and 32 respectively. After the study, the researcher concludes that the voluntary disclosure level of China is still low, and has a long way to go.

Wallace, Naser and Mora (1994) assessed the level of disclosure in the annual reports of non-financial Saudi firms and to empirically investigate the hypothesized impact of several firm characteristics on the extent of voluntary disclosure. The paper suggests that companies having higher profitability disclose more information than those with lower profitability. They have used net profit to sales, earnings growth, dividend growth, return on assets and return on equity as proxies for profitability.

Williams (1999) provided empirical evidences on the significance of cross-country (societal) variables that may assist in explaining variations in the quantity of voluntary environmental and social accounting disclosure (VESAD) information provided by organizations in annual reports across national boundaries. He has considered of the study, annual reports of 356 listed companies operating in seven Asia-Pacific nations (Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia and Malaysia). In this study, two multiple regression models based on Equation (1) are tested
The paper has indicated that across the seven nations the quantity of VESAD information is varied significantly. Results of multivariate analysis showed that culture and the political and civil systems are significant explanatory variables. Conversely, an economic related factor that is level of economic development and equity market are not significant.

2.3 Bangladesh Perspective

Ahmed, Khan and Hossain (2011) discussed the disclosure or reporting practices of accounting changes in the annual report of finance companies listed on the main board of the Dhaka Stock Exchange (DSE). Simple random sampling technique is used in this study and companies are selected randomly by using random number table. In total, 37 companies are selected from various industries. A number of 365 annual reports are scrutinized and used to analyze the practice of the DSE listed companies. This study examines the practice of DSE listed companies on accounting item changes in Bangladesh, and the accounting changes flow for the period of ten years beginning from the year 1999 to 2008.This study also discusses the relationship between reporting accounting changes and earnings per share, firm size and audit firm.

The research findings show that accounting changes were done every year and the most obvious changes were evident from the year 2001 to 2003. Only at 2004, there was a significant relationship between reporting accounting changes and audit firm.

Ahmed and Day (2009) studied the perception of the bank loan officers about their perceived importance of various sources of information in making their decisions, and their opinions regarding the adequacy and reliability of information of annual reports. This study focuses on the practices of some selected disclosure practicing through annual reports by banks operating in Bangladesh. For this paper, an empirical study as well as a questionnaire survey has been conducted. The survey is conducted on a sample of 20 bank loan officers.

The principal findings include, firstly, most of the banks discloses the name of default directors with amount due, the name of borrower directors, prepares aging schedule, fixes the rate of provisions for bad debts, do not take qualified opinion or disclaimer, creates secret reserves in the balance-sheet and uses cost principle in valuing assets and secondly the respondents are in favor of such disclosures. As it is requirement, the current disclosures are not ample in evaluating the goals of corporate financial disclosure in the banking sector.

Akhtaruddin and Rouf (2012) tested empirically the relationship between corporate governance, cultural factors and voluntary disclosure by the listed companies in Bangladesh. The corporate governance factors examined are proportion of independent directors, board leadership structure, management ownership, board size and audit committee size. The extent of voluntary disclosure level is measured using 68 items of information. Data are taken from annual reports of the listed companies in Bangladesh and all the companies are selected by judgment sampling. The items are considered equally important to disclose and hence a dichotomous unweighted approach is used for scoring.

The result shows a positive association between board size, board leadership structure, audit committee size and voluntary disclosure. However, no evidence is found to support the contention that independent directors are associated with increased disclosure, consistent with previous studies. Higher education of the CEO and CFO is positively related to the level of voluntary disclosure. The result also indicates that the extent of voluntary disclosures is negatively associated with a higher management ownership.

Hasan, Hossain and Swieringa (2013) examined the association between corporate governance and overall financial reporting disclosures index. This study attempted to analyze overall disclosure index of twenty non-financial companies listed in DSE. The researchers capture the impact of corporate governance using three measures, such as dependent variable (corporate financial reporting disclosures index), independent variables, and linkage between dependent and independent variables. Stratified sampling technique is used. Each business segment was considered as a stratum. Four stratums and five companies from each stratum had been selected purposively. A draft check list is prepared that provided the basis for a survey with yes / no questions that was used to select the individual items for the final checklist. Finally, two-hundred items are used to measure a company disclosure score. The items are considered equally important to disclose and hence a dichotomous un-weighted approach is used for scoring.

The study finds that external auditor and a corporate governance variable can significantly influence the level of corporate financial disclosures. Other variables, such as, board independence, board-size, dominant personality, institutional ownership and general public are not meaningfully associated with the level of financial disclosures.

Hossain, Islam and Andrew (2006) examined the relationship between social and environmental disclosure and several corporate attributes in a developing country, Bangladesh. They have developed and utilized a disclosure index to measure the extent of disclosure made by companies in corporate annual reports. This study reports significant differences in levels of social and environmental disclosure, as measured by the mean values of the social and environmental disclosure index in Bangladesh. The sample covers the annual reports of 107 non-financial companies listed on the Dhaka Stock Exchange (DSE) for the year 2002-2003.

This study reports that a very few companies in Bangladesh are making efforts to provide social and environmental information on a voluntary basis, which are mostly qualitative in nature. Companies appeared to have the lowest levels of social and environmental disclosure in Bangladesh. It is also found that significant number of the lowest ranking companies suffered losses during the period under study and significant proportions of the ranking companies were subsidiaries of multinational companies or large corporations. It also show that size of the firm does not affect the level of corporate social and environment disclosure but positively associated with profit ability and nature of the company.

Khan, Ghosh and Akter (2006) investigated the extent of corporate governance disclosure by SQURE group and to find out users attitude regarding this disclosure.

They have considered of the study, annual reports of 11 companies of the SQUARE group, which are listed with the Dhaka stock exchange. The paper involves empirical study as well as a questionnaire survey. For this purpose, questionnaires were sent to 50 users of SQUARE's annual reports. The questionnaires have been designed under 5 point liker scales where "1" refers to strongly disagree and "5" refers to strongly agree.

They have found that the companies of the SQUARE group are reporting on the main participants of corporate governance in their annual reports except shareholders related information. However, the extent of voluntary disclosure made by SQUARE is not satisfactory in achieving the objectives.

Mamun (2009) investigated the association of listing age of the companies with their HRAD pattern. The study is empirical in nature based on the secondary as well as primary data sources. For this study, randomly selected 55 listed public limited companies in Dhaka Stock Exchange (DSE) have been considered. The companies are classified under 2 broad headings: Financial and non-financial sector. Financial sector includes banks and insurance companies. Non-financial sector includes cement, fuel and power, textile, pharmaceuticals & chemical and others. The reporting practices of the selected companies are analyzed as of December 31, 2007.

The results of the study show that companies averagely disclose 25% of the total HRAD items. In this study, HRAD has been found significantly related with the size of the company, category of the company (financial or non-financial) and profitability. However, HDAD has no influence on the age of companies.

Rahman (1999) highlighted the nature of mandatory and voluntary disclosure practices of listed companies in Dhaka Stock Exchange. This study was based on secondary data. A survey of accounts has been undertaken which consists of an analysis of the annual reports of the sample companies-375 variables were included in a scoring sheet, which was completed for each company. The results show that disclosure (both mandatory and voluntary) varies widely with in the sample companies and the extent of disclosure is significantly related to industry types. Companies of the textile sector are found to disclose significantly less information than what disclosed by companies of other sectors. The finding also indicate that the compliance with mandatory disclosure requirements is much lower compared to the compliance with mandatory disclosure requirements and that no company disclosed all mandatory information items in its annual report.

The paper has shown that disclosure is very variable and that, there is a significant association between the extent of disclosure and industry type. Disclosure by companies pertaining to pharmaceuticals and chemicals is higher than that for companies with other industry type. Furthermore, disclosure by companies belonging to the textile industry is much lower than for any other company. The limitation of the study is that no hypothesis has been tested empirically.

Rouf (2011) investigated the extent and nature of corporate social responsibility disclosure (CSRD) in corporate annual reports (CAR) of listed companies in Bangladesh. Specifically, the report examines the relationship between corporate attributes and firm-specific factors and corporate social responsibility disclosures. Data are taken from annual reports of 2007 of the listed companies of Dhaka Stock Exchanges. The study uses ordinary least squares regression model to examine the relationship between explanatory variables and corporate social responsibility disclosure and un-weighted relative disclosure index to measure voluntary disclosure. The extent of CSRD level is measured using 39 items of information.

The result shows a positive association between proportion of independent directors (INDs) and corporate social responsibility disclosure (CSRD). But, size of the firm does not affect the level of corporate social responsibility disclosure. Control variables suggest that board leadership structure (BLS), board audit committee (BAC) and percentage return on equity (PROE) are positively associated with company's corporate social responsibility disclosure (CSRD). The result shows that a higher proportion of independent non-executive directors on a board are positively related to the level of corporate social responsibility disclosure but the extent of corporate social responsibility disclosure is negatively related to the firms' size.

Rouf and Harun (2011) examined the association between ownership structure and voluntary disclosure levels in the 2007 annual report of 94 samples of Bangladeshi listed companies. Ownership structure is provided by management ownership and institutional ownership. Using agency theory, it is argued that firms with higher management of ownership structure may disclose less information and higher institutional of ownership structure may disclose more information to shareholders through voluntary disclosure. It is because the determined ownership structure provides firms lower incentives to voluntarily disclose information to meet the needs of non-dispersed shareholders .Agency theory is utilized as the underlying theoretical framework of voluntary disclosure. The items are considered equally important to disclose and hence a dichotomous un-weighted approach is used for scoring. The extent of voluntary disclosure level is measured using 68 items recommended by those who have professional qualifications.

The result shows that the extent of corporate voluntary disclosures is negatively associated with a higher management of ownership structure and the extent of corporate voluntary disclosures is positively associated with a higher institutional ownership structure.

Rouf (2011) examined the linkages "corporate characteristics", "governance attributes" and the "extent of voluntary disclosure" in Bangladesh. The paper is based on a sample of 120 listed non-financial companies in Dhaka Stock Exchanges (DSE) in 2007. The study used ordinary least squares regression model to examine the relationship between explanatory variables and voluntary disclosure. Using an un-weighted relative disclosure index for measuring voluntary disclosure, the study focuses the level of disclosure linking to firm size, profitability, independent non-executive director, board leadership structure, board audit committee, board size and ownership structure.

Finding of the empirical results indicate that a positive association between board size and voluntary disclosure, board leadership structure and voluntary disclosure and between board audit committee and voluntary disclosure. In contrast, the extent of voluntary disclosure is negatively related to proportion of INDs, ownership structure and net profitability.

Rouf (2011) evaluated the corporate voluntary disclosure of management's responsibilities in the Bangladeshi listed companies. Data are taken from annual reports of 132 the listed companies in Dhaka Stock Exchange (DSE) during 2005-2008. The study uses ordinary least squares regression model to examine the relationship between explanatory variables and corporate voluntary disclosure and un-weighted relative disclosure index is used for measuring voluntary disclosure score.

The results show the firms have the higher percentage of shares held by institutional shareholders. The senior management's decision is positively related to the level of voluntary disclosure and has positive relation with a board audit committee and board leadership structure. On the other hand, where the firms have a higher management of ownership structure, there the senior management's decision is negatively related to the level of voluntary disclosure. However, other factors such as those provided by board composition, board size and firm size displayed no significant influence on senior management's decisions in this area.

Saha and Akter (2014) examined the relationship between voluntary disclosure and several attributes of corporate governance using data from the annual reports of companies listed on the Dhaka Stock Exchange (DSE) in 2011. The results obtained show statistically significant differences in levels of voluntary disclosure among listed companies in Bangladesh and show that companies in the financial sector disclose more voluntary information than non-financial companies.

Findings from the analysis indicate a negative association between voluntary disclosure and percentage of equity owned by insiders. By contrast, firm size and profitability show significant positive relationship with voluntary disclosure. However, the study also shows that voluntary disclosure has no significant relationship with the percentage of equity held by institutions, board size, board audit committee and percentage of independent directors on the board of directors.

2.4 Research Gap

It is evident from the review of related literature that there are several studies all over the world especially in the developed world on association between firm specific characteristics and corporate governance, and on association between voluntary disclosures and corporate governance. But there is hardly any study on the interrelation between corporate governance and firm specific characteristics and corporate voluntary disclosures. More specifically there is no study covering these three issues all together using Bangladesh setting. Here is the research gap and the researcher has strived to fill in this gap.

CHAPTER-3

Regulatory Environment of Corporate Governance in Bangladesh

CHAPTER-3

Regulatory Environment of Corporate Governance in Bangladesh

3. Introduction

Corporate governance has recently become a key debate and discussion item for the restructuring of state owned enterprises and the development of a modern enterprise or corporate system. Governance serves as an essential foundation for better quality Performance. If organization structure or managerial accountabilities and rewards are inconsistent with value creation, the effectiveness of the organization will decrease. Governance identifies rights and responsibilities, legitimizes actions and determines accountability. It is concerned with the source, use and limitation of power. Corporate governance is concerned with the process by which corporate entities are governed, that is, with the exercise of power over the direction of the enterprise, the supervision of executive actions, the acceptance of a duty to be accountable and the regulation of the corporation within the jurisdiction of the states in which it operates.

The structure of this chapter is as follows: Section 3.1 defines corporate governance. Section 3.2 summarizes background of corporate governance. Section 3.3 discusses parties involved in corporate governance. Section 3.4 explains importance of corporate governance. Section 3.5 addresses the different systems (model) of corporate governance. Section 3.6 describes principles of corporate governance. Section 3.7 explains elements of corporate governance. Section 3.8 summarizes corporate governance in Bangladesh. Section 3.9 describes weaknesses in implementing corporate governance and conclusion is made in the section 3.10.

3.1 Meaning of corporate governance

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled (Uddin, 2006). Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed (Biswas, 2012). The principal stakeholders are the shareholders, management, and the board of directors. Other stakeholders include employees, customers, creditors, suppliers, regulators, and the community at large. Basically, it is important to underline that investors in corporations require assurance that their contributions, financial capital, human capital, social capital, will produce a return (Rezzaque, 2004). Corporate Governance concerns the institutions that make these investments possible, from boards of directors, to legal frameworks and financial markets, to broader cultural understanding about the place of the corporation in society (Nestor & Thomson, 2000).It is, therefore, the "control" of corporations and that is why it is so relevant and vital to businesses.

Researchers find several definitions on the concept of corporate governance, but all share, explicitly or implicitly, some common elements. They all refer to the existence of conflicts of interest between insiders and outsiders, with an emphasis on those arising from the separation of ownership and control, mostly about the partition of wealth generated by a company. Some definitions of corporate governance are provided in table 3.1.

Table 3.1 – Corporate governance definitions

Garvey and Swan (1994)	Assert that *"governance determines how the firm's top decision makers (executives) actually administer such contracts", viewing the corporation as a nexus of explicit and implicit contracts, in line with Jensen and Meckling (1976)*
Hart (1995)	Suggest that *"corporate governance issues arise in an organization whenever two conditions are present. First, there is an agency problem, or conflict of interest, involving members of the organization – these might be owners, managers, workers or consumers. Second, transaction costs are such that this agency problem cannot be dealt with through a contract". As Fama and Jensen (1983: 304) observed, "agency problems arise because contracts are not costlessly written and enforced".*

Shleifer and Vishny(1997)	Argue that corporate governance *"deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment".*
John and Senbet (1998)	Argue that *"corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected". They include as stakeholders not just shareholders, but also debt holders and even non-financial stakeholders such as employees, suppliers, costumers, and other interested parties.*
Ahmad and Baree(2000)	*Viewed corporate governance as, "The system by which business organizations are directed and controlled. Its structure specifies the distribution of rights and responsibilities among company's different participants, such as board, management, shareholders, and other stakeholders. Transparency and accountability are its major attributes."*
Denis and McConnell (2003)	Define corporate governance as *"the set of mechanisms – both institutional and market-based – that induce the self-interested controllers of a company (those that make decisions regarding how the company will be operated) to make decisions that maximize the value of the company to its owners (the suppliers of capital)".*
OECD (2004)	The OECD principles of corporate governance define that *"the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities".*
Kanagaretnam et al. (2007)	Corporate governance encompasses *"the controls and procedures that exist to ensure that management acts in the interest of shareholders (...) reduce the likelihood that*

	management, acting in its self-interest, takes actions that deviate from maximizing the value of the firm".
Sarkar and Ahmed (2007)	*Conceptualized the issue as, "Corporate practices to meet the corporate objectives". This encompasses many issues like internal control, rights and relation with stakeholders, corporate social responsibility, structure and role of the management committee, management transparency (refers to the disclosure of all reliable and relevant information) and accountability (refers to broader corporate objectives to manage the socio-economic resources efficiently) and the like.*

3.2 Back ground of corporate governance

The issue of good corporate governance is a new phenomenon in the world. But corporate governance is not new at all. Corporate governance systems have evolved over centuries, often in responses to corporate failures or systematic crises. The first well-documented failure of governance was the south sea Bubble in the 1700's, which revolutionized business laws and practices in England. Similarly much of the securities law in the United States was pat in place following the stock market crash of 1929. There has been no shortage of other crises, such as the secondary banking crisis of the 1970s in the United Kingdom and the U.S.A saving and loan debacle the 1980s (Ahmed & Baree, 2000).

Basically, corporate governance is readily involved with the corporate form of business. In that sense, corporate governance is an old concept like corporate body. But it did not get special consideration till mid eighties of the twentieth century. In Bengal, Corporate body was introduced in the mid sixteenth century when the British East India Company was started its operation here. Though, corporate body was active in Bengal since then, but its operating and controlling activities were directed from the U.K. in 1857, about a hundred years later of the occupation of the area, the British government prepared companies Act and it came into force for the first time. This Act was replaced in 1982 and finally the Act was reserved and enacted under the title "The Company Act 1913" and come into force in1914. From that time, business activities of each corporate body in Bengal were directed and controlled by a board of directors (BOD). BODs activities may be treated as corporate governance in many countries got independence with in 1970s and huge number of corporate bodies was constituted all over the world including Bengal. Consequently, corporate bodies faced increasing competition and the scope of BOD's role was widely speeded, but before 1980s corporate governance was neither treated as different idea nor practiced with due importance (Mamun, 2002).

However, from the last portion of 1980s corporate governance has got a new dimension with accelerated importance after occurring many incidents of corporate failure all over the world and good corporate governance become a burning issue for ensuring successful operation of corporate bodies. So the term "Good Corporate Governance" is a new phenomenon that came into consideration and discussion not more than two decades ago (Rezzaque, 2004).

Since the late 1985's, corporate governance has been the subject of significant debate in the Bangladesh and around the globe. Bold, broad efforts to reform corporate governance have been driven, in part, by the needs and desires of shareowners to exercise their rights of corporate ownership and to increase the value of their shares and, therefore, wealth. Over the past three decades, corporate directors' duties have expanded greatly beyond their traditional legal responsibility of duty of loyalty to the corporation and its shareowners.

In the first half of the 1990s, the issue of corporate governance in the U.S. received considerable press attention due to the wave of CEO dismissals (e.g.: IBM, Kodak, Honeywell) by their boards. The California Public Employees' Retirement System (CalPERS) led a wave of institutional shareholder activism (something only very rarely seen before), as a way of ensuring that corporate value would not be destroyed by the now traditionally cozy relationships between the CEO and the board of directors (e.g., by the unrestrained issuance of stock options, not infrequently back dated).

In 1997, the East Asian Financial Crisis saw the economies of Thailand, Indonesia, South Korea, Malaysia and The Philippines were severely affected by the exit of foreign capital after property assets collapsed. The lack of corporate governance mechanisms in these countries highlighted the weaknesses of the institutions in their economies.

In the early 2000s, the massive bankruptcies (and criminal malfeasance) of Enron and Worldcom, as well as lesser corporate debacles, such as Adelphia Communications, AOL, Arthur Andersen, Global Crossing, Tyco, led to increased shareholder and governmental interest in corporate governance. This is reflected in the passage of the Sarbanes-Oxley Act of 2002(Samir, et al., 2003).

3.3 Parties involved in corporate governance

Parties involved in corporate governance include the regulatory body (e.g. the chief executive officer, the board of directors, management, shareholders and auditors). Other stakeholders who take part in corporate governance are suppliers, employees, creditors, customers and the community at large (Ahmed & Baree, 2000).

In corporations, the shareholder delegates decision rights to the manager to act in the principal's best interests. This separation of ownership from control implies a loss of effective control by shareholders over managerial decisions. Partly as a result of this separation between the two parties, a system of corporate governance controls is implemented to assist in aligning the incentives of managers with those of shareholders. With the significant increase in equity holdings of investors, there has been an opportunity for a reversal of the separation of ownership and control problems because ownership is not so diffuse.

A board of directors often plays a key role in corporate governance. It is their responsibility to endorse the organization's strategy, develop directional policy, appoint, supervise and remunerate senior executives and to ensure accountability of the organization to its owners and authorities.

The company secretary, known as a corporate secretary in the Bangladesh and often referred to as a chartered secretary if qualified by the Institute of Chartered Secretaries and Administrators (ICSA), is a high ranking professional who is trained to uphold the highest standards of corporate governance, effective operations, compliance and administration.

All parties to corporate governance have an interest, whether direct or indirect, in the effective performance of the organization. Directors, workers and management receive salaries, benefits and reputation, while shareholders receive capital return. Customers receive goods and services; suppliers receive compensation for their goods or services. In return these individuals provide value in the form of natural, human, social and other forms of capital.

3.4 Importance of corporate governance

In the early 21st century, the technologies emerging from the information technology and biotechnology revolutions present unprecedented governance challenges to national and international political systems. These technologies are now shifting and will continue to affect the organization of society and the ways in which norms emerge and governance structures operate. How policymakers respond to the challenges of these technologies, including the extent to which developments are supported by public research funds and whether they are regulated, will be of increasing concern among citizens and for governing bodies. New governance mechanisms, particularly on an international level, may be needed to address these emerging issues. In Bangladesh, some sorts of problems are going on regarding responsibility and accountability of each sector. That is why the researcher finds some interest to do research on the topics and try hard to unearth the answers that why corporate governance did not apply everywhere especially public sectors (Sarkar & Ahmed, 2007).

Obviously, good corporate governance practices are more and more essential in determining the cost of capital in the capital market. Bangladeshi companies must be prepared to participate internationally and to maintain and promote investor confidence both in Bangladesh and abroad. On an examination of corporate governance practices in Bangladesh, it appears that the country stands at a position of weakness. Therefore, it is essential that these practices are reviewed to ensure that they continue to reflect local and international improvement so as to position Bangladesh in line with the best practice.

3.5 The Different systems (model) of corporate governance

Corporate governance can be fundamentally classified into two categories. One is “Outsider system” and the other one is “Insider system”.

3.5.1Outsider system

The “Outsider system” of corporate governance was first introduced in the United States of America and The United Kingdom. This system can be characterized as a market-based system. This system is now being practiced in almost all the market-based economics of the world. Outsider model followed in the Anglo

American countries which separate ownership and management. Nestor and Thomson (2000), Mamun, (2002) mentioned the following distinguishing features of this model:

(i) Dispersed equity ownership with large institutional holdings

(ii) The recognized primacy of shareholder interesting in the company law

(iii) A strong emphasis on the protection of minority investors in securities law and regulation

(iv) Relatively strong requirements for disclosure

In this system, the legal and regulatory regime has been developed in such a way so that a dispersed body of investors can take investment decision upon the disclosure of information of a particular company. Thus, the system can be described as “disclosure-based” (Fox, 1998).

3.5.2 Insider system

The “Insider system” is the system where ownership and control are relatively held by identifiable and cohesive groups of “insider” who have longer-term stable relationship with the company. Insider Model followed in the European countries where shareholders exercise control in management. According to Nestor & Thompson (2000), Mamun, (2002) insider groups usually are relatively small, their members are known to each other and they have some connection to the company other than their financial investment, such as banks or suppliers. Groups of insiders typically include some combination of family interests, allied industrial concerns, banks and holding companies. Frequently the insiders can communicate among themselves easily to act in concert to monitor corporate management which acts under their close control. Furthermore, the legal and regulatory system is more tolerant to groups of insiders who act together to control management while excluding minority investors. Hence, the agency problem, which characterizes the outsider system, is of much less importance.

Insiders any control in a company either by owning an outright majority of voting shares or owning a significant minority holding and using some combination of parallel devices to augment their control over the company(Nestor & Thompson, 2000; Mamun, 2002).

3.6 Principles of corporate governance

A Company should follow the following principles which are prescribed in the Draft Code of Corporate Governance, Bangladesh (2007):

1. Corporate governance structure is prevailing strictly within a strong legal framework.
2. Established the roles of management and the board.
3. Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
4. Actively promote ethical and responsible decision making.
5. Have a structure to independently verify and maintain the reliability of the company's financial reporting.
6. Provide a timely and balance picture (disclosure) of all material matters.
7. Respect the rights of shareholders and facilitate the effective exercise of those rights.
8. Establish a sound system of risk supervision and management and internal control.
9. Fairly review and actively encourage improved board and management effectiveness.
10. Ensure the management is appointed, remunerated, promoted and retired within a pre-defined framework sufficient and reasonable to corporate and individual needs.
11. Recognize legal, regulatory and professional obligations to all rightful stakeholders.
12. Provide information indicated in the code to report compliance with the principles.
13. Ensure independent review of its governance practices.

3.7 Elements of corporate governance

A Company should follow the following elements of corporate governance which are prescribed in the Draft Code of Corporate Governance for Bangladesh, 2007:

3.7.1 Board of directors

All listed companies encourage effective representation of independent directors, including those representing minority interest, on their boards of directors so that the board as a group includes core competencies considered relevant in the context of each listed company. For the purpose, listed companies may take necessary steps such as minority shareholders as classes are facilitated to contest election of directors by proxy solicitation, for which purpose the listed companies may annex to the notice of general meeting at which directors are to be elected, a statement by a candidate(s) from among the minority shareholders who seeks to contest election to the board of directors, which statement may include a profile of the candidate(s).

The board of directors of each listed company includes at least one independent director representing institutional equity interest of a banking company, development financial institution, mutual fund and insurance company.

3.7.2 Qualification of a director

No person shall be elected or nominated as a director of a listed company, if,

(a) his name is not borne on the register of national Tax payers except where such person is a non-resident; and

(b) he has been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company or he being a member of a stock exchange, has been declared as a defaulter by such the stock exchange.

3.7.3 Disqualifications of a director

A person shall not be capable of being appointed director of a company, if-

(a) he has been found to be of unsound mind by a competent court and the finding is in force;

(b) he is an undercharged insolvent;

(c) he has applied to be adjudicated as an insolvent and his application is pending;

(d) he has been convicted by a court of any offence involving moral turpitude and a period of five years has not elapsed from the date of expiry of the sentence;

(e) such person is already a director of a public-listed company which has failed to pay declared dividend or interest on debenture;

3.7.4 Responsibilities, powers and functions of board of directors

The directors of listed companies shall exercise their powers and carry out their duties with a sense of objective judgment and independence in the best interest of the listed company. Every listed company shall ensure that-

(a) the board of directors adopts a vision , mission statement and overall corporate strategy for the listed company and also formulate significant policies, having regard to the level of materiality, as may be determined it; (significant policies for this purpose may include- risk management, human resource management, procurement of goods and services, marketing, determination of term of credit and discount to customers, write-off of bad/ doubtful debts, advance and receivables, investment etc.)

(b) the board of director establish a system of sound internal control, which is effectively implemented at all level with in the listed company;

(c) appointment, remuneration and terms and conditions of employment of the chief executive officer and other executive directors of the listed company are determined and approved by the board of directors;

(d) In the case of non- Banking financial institution, whose main business is investment in listed securities, the boards of directors approve and adopt an investment policy, which is stated in each annual report of the non-banking financial institution.

(e) The following powers are exercised by the board of directors on behalf of the listed company and decision on the material transactions or significant matters are documented by a resolution passed at a meeting of the board:

- The determination of the nature of loans and advances made by the listed company and fixing a monetary limit thereof;
- write-off of bad debts, advances and receivables and determination of a reasonable provision for doubtful debts;

- write-off of inventories and other assets ; and determination of the terms of and the circumstance in which a law suit may be compromised and a claim right in favor of the listed company may be waived, released, extinguished or relinquished.

3.7.5 Meeting of the board

The chairman of a listed company supervises over meetings of the board of directors.

(a) The board of directors of a listed company shall meet at least once in every quarter of the financial year. Written notices (including agenda) of meetings shall be circulated not less than seven days before the meetings, where the notice period may be reduced or waived.

(b) The chairman of a listed company shall ensure that meetings of the board of directors are appropriately recorded. The minutes of meetings shall be circulated to directors and officers entitled to attend board meetings not later than 30 days thereof, unless a shorter period is provided in the listed company's articles of association.

3.7.6 Independent director

An independent director is independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. An independent director is a non-executive director i.e. is he is not a member of management who

(i) is not a whole time director or a managing director of a company;

(ii) has no transaction with the company or its directors or manager in connection with business or profession or in any other capacity;

(iii) does not hold or has not held any post in the company within the preceding five years;

(iv) does not hold any ordinary shares of the company;

(v) is not a relative of any directors managers of the company;

(vi) is not a member of a stock exchange or is not engaged in the business of brokerage or dealing in the securities of listed companies;

(vii) has not been a director or an independent director for a consecutive period of six years or more;

(viii) is not or has not been a supplier or vendor or customer of the goods or services of the company;

(ix) has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or financial institution;

(x) has not been an auditor or consultant of the company during any of the five preceding financial years.

3.7.7 Significant issues to be placed for decision by the board of directors

In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the board of directors of listed companies. The significant issues for this purpose may include:

(a) Annual business plans, cash flow projections, forecasts and long term plans;

(b) Budgets including capital, manpower and overhead budgets, along with variance analyses;

(c) Quantity operating results of the listed company as a whole and in terms of its operating divisions or business segments;

(d) Internal audit reports, including cases of fraud or irregularities of a material nature;

(e) Management letter issued by the external auditors;

(f) Amendment of a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the listed company;

(g) Default in payment of principal and interest, including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit;

(h) Any significant accidents, dangerous occurrences and instances of pollution and environmental problems involving the listed company;

(i) Payment for goodwill, brand equity or intellectual property.

3.7.8 Nomination committee

Particularly in large companies, a nomination committee can be a more efficient mechanism for the detailed examination of selection and appointment practices meeting the needs of the company. The existence of a nomination committee should not be seen as implying a fragmentation or diminution of the responsibilities of the board as a whole. The nomination committee should:

(i) consist of a minimum of three members, the majority being independent directors;

(ii) be chaired by the chairman of the board or an independent director.

3.7.9 Board size and composition

It is important that the board be of a size and composition that is conducive to making decision expediently, with benefit of a variety of perspectives and skill, and in the best interests of the company as a whole rather than of individual shareholders or interest groups. The size of the board should be limited so as to encourage efficient decision-making. In support of their candidature for directorship, non-executive directors should provide the nomination committee with details of other commitments and an indication of time involved. Non-executive directors should specifically acknowledge to the company prior to appointment or being submitted for election that they will have sufficient time to meet what is expected of them.

3.7.10 Audit committee

Particularly for large companies, an audit committee can be more efficient mechanism than the full board for focusing the company on particular issues relevant to verifying and safeguarding the integrity of the company's financial reporting. The existence of an audit committee should not be seen as implying a fragmentation or diminution of the responsibilities of the board as a whole. The existence of an independent audit committee is recognized internationally as an important feature of good corporate governance. The ability of the audit committee to exercise independent judgment is vital. International best practice is moving towards an audit committee comprised of only independent directors. The audit committee should include members who are all financially literate i.e., are able to read and understand financial statements.

The board of directors of every listed company shall establish an audit committee, which shall comprise not less than three members, including the chairman. Majority of the members of the committee shall be from among the non-executive directors of the listed company and the chairman of the audit committee shall preferably be a non-executive director. The names of members of the audit committee shall be disclosed in each annual report of the listed company.

3.7.10.1 Internal audit

(a)There shall be an internal audit function in every listed company. The head of internal audit shall have access to the chair of the audit committee.

(b) All listed companies shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the report with the audit committee, which shall report matters of significance to the board of directors.

3.7.10.2 External audit

(a) No listed company shall appoint as external auditors a firms of auditor which has not been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Bangladesh (ICAB).

(b) No listed company shall appoint as external auditors a firm is non-compliant with the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

(c) The board of directors of a listed company shall recommend appointment of external audits for a year, as suggested by the audit committee. The recommendations of the audit committee for appointment of retiring auditors or otherwise shall be included in the directors' report. In case of a recommendation for change of external auditors before the elapse of three consecutive financial years, the reasons for the same shall be included in the directors' report.

(d) All listed companies are required to charge their external auditors every five years. If for any reason this is impractical, a listed company may at a minimum, rotate the partner in charge if its audit engagement after obtaining the consent of the securities and exchange commission of Bangladesh.

(e) No listed company shall appoint a person as title CEO, the CEO an internal auditor or director of the listed company who was a partner of the firm of its external auditors at any time during the two years preceding such appointment or is a close relative, i.e. spouse, parents, dependents and non-dependent children of such partner or employee.

3.7.11 Human resources development committee

Particularly for large companies, a human resources development committee can be more efficient mechanism than the full board for focusing the company on appropriate human resources policies which are designed to meet the needs of the company and to enhance corporate and individual performance. The existence of a human resources development committee should not be seen as implying a fragmentation or diminution of the responsibilities of the board as a whole, it is recognized that for smaller boards, the same efficiencies may not be apparent from a formal committee structure. The human resources development committee should: (i) consist of a minimum of three members, of which one is an independent director, (ii) be chaired by an independent director.

3.7.12 Corporate code of conduct

A code of conduct should enable employees to alert management and the board in good faith to potential misconduct without fear of retribution and should require recording and investigation of such alerts. The company should have a system for ensuring compliance with its code of conduct and for dealing with complaints. In devising and implementing that system, the laws concerning defamation and privacy need to be considered.

3.8 Corporate governance in Bangladesh

In Bangladesh, corporate sector is at cross roads as far as legal structure and internal management, control and administration of corporations is concerned. It is faced with numerous issues demonstrating the ineffective implementation of laws and code of business ethics. If at all certain instances of malpractices tax, evasion, tax avoidance, earning black money and management infighting are any evidence, the corporate sector and the government need to have an urgent look at the whole scenario prevailing in the country to ensure good corporate governance. Qualitative improvement in corporate governance in Bangladesh is based on a code of good corporate practices and meaningful disclosure of information to shareholders hold the key to corporate success. This is necessary in the context of changing profile of corporate ownership with increasing flow of foreign investment, preferential allotment of shares to the promoters of companies and the new role being given to mutual funds. This means better governance and management of corporate bodies, prompt compliance of legal and financial obligations and adherence to ecological and environmental standards. The benefits of such governance must accrue to the investors, customers' lenders of finance and the society. Most of the public companies in Bangladesh particularly are suffering from good governance due to ill practices of its executives and users. The scenario is deteriorating day by day because of the emergence of governance.

3.9 Weaknesses in implementing corporate governance

There are some weaknesses of corporate governance in Bangladesh which are discussed in the report on the observance of standards and codes (ROSC) Bangladesh Accounting and Auditing (World Bank, 2003).

3.9.1 Corporate ownership structures

All corporate governance systems revolve around four core principles: Fairness, accountability, responsibility and transparency. The specific challenges of upholding these principles depend on the ownership structure of the corporate sector. However, in Bangladesh, general practice is that the corporate structure is dominated by family members. Such practice hinders the level of fairness, accountability and transparency.

3.9.2 Inconsistency between Companies Act, BAS and SEC requirements

The Companies Act, 1994 provides provisions regarding preparation and publication of financial statements, disclosures and auditing. However, in many cases, the Act lacks clarity with regard to statutory requirements on disclosures in the financial statements of listed companies. Moreover some accounting requirements mentioned in the Act are incompatible with International Accounting Standards (IAS) which is required by the SEC. For Example, contrary to IAS, the Companies Act requires capitalization of gains and losses arising from changes in foreign exchange rate under all circumstances. Another inconsistency is that the Companies Act does not require a consolidated balance sheet for a holding company but it is required under the IAS. Inconsistencies between IAS and the companies Act need to be eliminated.

3.9.3 Weak regulatory system

Bangladesh still follows the hybrid system of legal system inherited from the British administration. Currently, the Companies Act of 1994 is the law that governs the incorporated domestic corporations and institutions. The other significant laws which has important role in governing the corporate sectors are: Securities and Exchange Ordinance 1969, Bangladesh Bank Order 1972, Bank Companies Act 1991, Financial Institutions Act 1993, Securities and Exchange Commission Act 1993 and the Bankruptcy Act 1997. There fore, weak regulatory system along with board interference with the management retards the improvement of CG in the country.

3.9.4 Board committees

Board committees (audit, remuneration and nomination) are of critical importance in CG. Audit committee is now being treated as a principal player in ensuring good CG and rebuilding public confidence in financial reporting. The roles of audit committee, among others are: monitoring integrity of financial statements, reviewing internal financial controls, recommending appointment of external auditor and reviewing auditor independence and objectivity and audit effectiveness. The remuneration committee’s responsibilities include establishment and review of the managing committee which assist the board to attract, retain and motivate high caliber executives and director through proposing remuneration that commensurate to their performance. Despite significant importance of the board committees (as described), few boards (except for bank) has audit committees and almost none have nomination or remuneration committee in Bangladesh.

3.10 Conclusion

Bangladesh is suffering from good governance particularly in public sector. But it is not an extremely hard task for Bangladeshi government and other private agencies to implement good corporate governance in their own operations. Corporate survival largely depends on discipline placed on managers. Discipline can come from the marketplace or it can come from inside the firm through corporate governance structures. A great deal of research denotes that privatization can be helpful for economic development but effectiveness of privatization is greater when corporate governance works well. Effective laws are the important requirement for corporate governance because law implementation and launch is the roadway for better governance. However, if public and private companies follow the recommendations then transparency and liability will come forwards to the authority and shareholders. Therefore, effective laws, privatization and intension of the government bodies can be the three key things to implement authentic good corporate governance in Bangladesh.

CHAPTER-4

Theoretical Framework and Hypotheses Development

CHAPTER-4

Theoretical Framework & Hypotheses Development

4. Introduction

The objective of this chapter is to establish a theoretical framework for this study by analyzing the firm specific characteristics and corporate governances attributes with the corporate voluntary disclosure in the annual report over the period 2007 to 2011. The discussion of theoretical frameworks assists in the formulation of testable hypotheses with particular relevance to voluntary disclosure. In addition, it helps in interpreting the statistical and interview findings to be presented in later chapters.

The structure of this chapter is as follows: Section 4.1 defines corporate financial reporting. Section 4.2 describes the objectives of corporate financial reporting. Section 4.3 discusses qualitative characteristics of accounting information (SFAC No.8) issued by FASB. Section 4.4 defines voluntary disclosure. Section 4.5 explains a comparison of compulsory disclosure and voluntary disclosure, Section 4.6 describes the classification of the content of voluntary disclosures, Section 4.7 addresses the reasons for voluntary disclosure, Section 4.8 discusses motivations to voluntary disclosure, Section 4.9 addresses constraints on voluntary disclosure. Section 4.10 discusses the theories supporting voluntary disclosure of information. Section 4.11 addresses hypotheses development of the study and conclusion is made in the Section 4.12.

4.1 Corporate financial reporting

Corporate financial reporting is a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. According to the Financial Accounting Standard Board (FASB, 2010)

> *"Corporate reporting refers to the process used to communicate with stakeholders, regardless of the vehicle used for such communications. It*

reflects the messages that management needs to convey to investors and other stakeholders, taking into consideration generally accepted accounting principles for financial reporting and relevant regulatory requirements".

In this sense, the corporate reporting model should follow the changes in the type of information needed for the market and, simultaneously, enhance the transparency of corporate governance and accountability.

So, the corporate reporting has been changing considerably in response to public expectations and to social values. It can take many forms such as a company's annual information form, management discussion and analysis, information circular, interim reports, press releases, annual reports, annual financial statements, corporate governance reports, sustainability reports and a variety of electronic disclosures, footnotes.

An important tendency in disclosure regulation is the increasingly extensive adoption of uniform reporting standards by stock exchanges and accounting standards bodies from different countries. The main goal is to achieve global convergence of reporting regulations. So, in this changing context, the new business reporting models present themselves as a challenge to the harmonization of the structure and content of the information reported by companies, especially at the level of their annual reports.

4.2 Objectives of corporate financial reporting

4.2.1 Objectives stated by the APB

Accounting Principles Board (APB) states the following objectives of financial reporting.

1. The particular objectives of financial statements are to present fairly and in conformity with generally accepted accounting principles, financial position, results of operations and other changes in financial position.
2. The general objectives of financial reporting are as follows:
   (a) To provide reliable information about the economic resources and obligations of a business enterprise in order to:
      (i) evaluate its strengths and weaknesses;

(ii) show its financial and investments;
(iii) evaluate its ability to meet its commitments;
(iv) Show its resource base for growth.

(b) To provide reliable information about changes in net resources resulting from a business enterprise's profit directed activities in order to:
(i) show expected dividend return to investors;
(ii) demonstrate the operation's ability to pay creditors and suppliers, provide jobs for employees, pay taxes and generate funds for expansion;
(iii) provide management with information for planning and control;
(iv) Show its long-term profitability.

(c) To provide financial information that can be used to estimate the earnings potential of the firm.

(d) To provide other needed information about changes in economic resources and obligations.

(e) To disclose other information relevant to statement users needs.

3. The qualitative objectives of financial accounting are the following:

(a) Relevance, which means selecting the information most likely to aid users in their economic decisions.

(b)Understandability implies not only that selected information must be intelligible, but also that the users can understand it.

(c) Verifiability, which implies that the accounting results may be corroborated by independent measures, using the same measurement methods.

(d) Neutrality, which implies that the accounting information is directed toward the common needs of users, rather than the particular needs of specific users.

(e) Timeliness, which implies an early communication of information, to avoid delays in economic decision-making.

(f) Comparability, which implies that differences should not be the result of different financial accounting statements.

(g) Completeness, which implies that all the information that "reasonably" fulfills the requirements of the other qualitative objectives should be reported.

4.2.2 Objectives stated by the Financial Accounting Standard Board (FASB)

The major objectives of financial reporting as specified by the FASB include the following -

(i) Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decision.

(ii) Financial reporting should provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions.

(iii) Financial reporting should provide information that identifies entity resources and the creditor and owner claims against those resources.

(iv) Financial reporting should also disclose significant changes in resources and claims against resources arising from transaction, events and circumstances.

(v) Financial reporting should provide information that allows managers and directors to make decisions that are the best interest of the owners.

(vi) Financial reporting should provide information that allows the owners to assess how well management has discharged its stewardship responsibility.

4.3 Qualitative characteristics of accounting information (SFAC No.8) issued by FASB

Qualitative characteristics of accounting information are those characteristics which contribute to the quality or value of the information. The principal qualitative characteristics of accounting information are usefulness for decision making. FASB has identified two fundamental qualitative characteristics that make financial information useful, relevance and faithful representation, and four qualitative characteristics that enhance the usefulness of relevance and faithfully represented financial information:

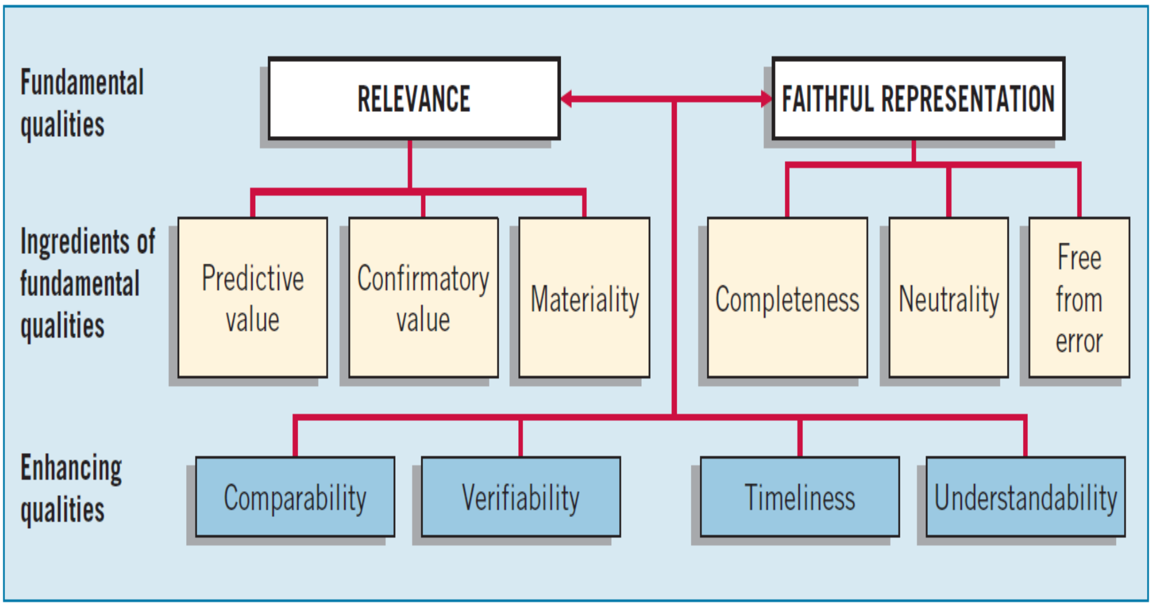


Figure 4.1: Qualitative characteristics of financial reports

Fundamental qualitative characteristics

Relevance

Information must be relevant to the decision making needs of users. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future event or confirming or correcting, their past evaluations.

Financial information has predictive value if it has value as an input to predictive processes used by investors to form their own expectations about the future (useful in making forecasts), confirmatory value (useful to evaluate past decisions or forecasts), or both. In other words, relevant information helps users of financial information to evaluate past, present and future events or to confirm or correct their past evaluations in a decision making. Materiality: Information is considered to be material if omission or misstatement of the information could influence users' decisions. Materiality is a function of the nature and /or magnitude of the information.

Faithful representation

Information that faithfully represents an economic phenomenon that it purports to represent is ideally complete, neutral and free from error. Complete means that all information necessary to understand the phenomenon is depicted. Neutral means that information is selected and presented without bias. In other words, the information is not presented in such a manner as to bias the users' decisions. Free from error means that there are no errors of commission or omission in the description of the economic phenomenon, and that an appropriate process to arrive at the reported information was selected and was adhered to without error. Faithful representation maximizes the qualities of complete, neutral and free from error to the extent possible.

Enhancing qualitative characteristics

Comparability

Comparability enables users to identify the real similarities and differences in economic phenomena because these differences and similarities have not been covered by the use of non-comparable accounting methods. Users must be able to compare the financial statements of an enterprise through time in order to identify trends in its financial position and performance. User must also be able to compare the financial statement of different enterprises in order to evaluate their relative financial position, performance and changes in financial position. Hence, the measurement and display of the financial effect of like transactions and other events must be carried out in a consistent way throughout an enterprise and over time for that enterprise and in a consistent way for different enterprises.

An important implication of the qualitative characteristic of comparability is that users be informed of the accounting policies employed in the preparation of the financial statements, any changes in those policies and the effects of such changes. Users need to be able to identify differences between the accounting policies for like transactions and other events used by the same enterprises from period to period and by different enterprises.

Verifiability

Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Qualified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.

Verification can be direct or indirect. Direct verification means verifying an amount or other representation through direct observation for example, by counting cash. Indirect verification means checking the inputs to model, formula or other technique and recalculating the outputs using the same methodology. An example is verifying the carrying amount of inventory by checking the inputs(quantities and costs) and recalculating the ending inventory using the same cost flow assumption(for example- using the first-in, first-out method).

Timeliness

Timeliness means having information available to decision-making in time to be capable of influencing their decisions. Generally, the older the information the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

Understandability

An essential quality of the information provided in financial statements is that it is readily understandable by the users. For this purpose, users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. However, information about complex matters that should be included in the financial statements because of its relevance to the economic decision-making needs of users should not be excluded merely on the grounds that it may be too difficult for certain users to understand.

4.4 Voluntary disclosure

Corporate voluntary disclosure refers to information made available at the good judgment of the corporation. The extent of voluntary disclosure is influenced by changes in the attitudes among the society, economic and behavioral factors such as the particular corporate culture. Voluntary disclosure items may be classified into historical, current and predictive items, depending on the past and present performance of the company. In other words, voluntary disclosure is to disclose more information based on managerial incentives (Healy & Palepu, 2001).

In addition to the regulated financial report, some companies include voluntary communications such as management forecast, analyst's presentation and conference calls, press releases, internet and other corporate reports as well as voluntary disclosures such as financial analysts, industry experts and the financial press (Healy & Palepu, 2001).

Voluntary disclosure is able to measure by the amount and detail of non-mandatory information in the company's annual report (Eng & Mak, 2003). Some voluntary disclosure definitions are provided in Table 4.1:

Table 4.1 – Voluntary disclosure definitions

Meek et al. (1995)	Define voluntary disclosure as *"disclosures in excess of requirements, representing free choices on the part of company managements to provide accounting and other information deemed relevant to the decision needs of users of their annual reports".*
Marston and Leow (1998)	Define *"the voluntary information as that which is not stipulated by laws and regulations."*
Myburg (2001)	*"Corporate voluntary disclosure refers to information made available at the discretion of the corporation".*
Healy & Palepu(2001)	Define as *"voluntary disclosure is to disclose more information based on managerial incentives".*
FASB (2001)	The term *"voluntary disclosure" describes disclosures, primarily outside the financial statements, that are not explicitly required by accounting regulation.*
Watson, et al. (2002)	Voluntary disclosures as *"disclosures in excess of those required by laws, accounting standards or stock exchange listing requirements regulations".*

Eng and Mak (2003)	Suggest that *"Voluntary disclosure is able to measure by the amount and detail of non-mandatory information in the company's annual report"*.
Cheng and Courtenay (2006)	Argue that *"Voluntary disclosures are information disclosed in the company's annual report in excess of requirement which represent free choices of the company's management in order to provide the users with the information related to their decision making"*.
Nasir and Abdulah (2007)	Define as *"Corporate voluntary disclosure, being in excess of requirements, represent free choices on the part of managers to provide information to users of the annual reports"*.
Kumar et al. (2008)	Define as *"Voluntary disclosure in the annual report means in nature the information beyond the required content in the financial statements"*.

4.5 A comparison of compulsory disclosure and voluntary disclosure

Compulsory information disclosure means relevant laws and rules, such as company law, securities law, accounting rules and regulatory agencies' regulations, clearly regulate that listed companies must actualize information disclosure. Voluntary disclosure means, except for compulsory disclosure, listed companies disclose information voluntarily for the sake of companies' images, investors, and accusation risks avoidance. On Jan. 29, 2001, the Business Reporting Research Project (BRRP) under the Financial Accounting Standards Board (FASB, 2001) issues the improving business reporting: Insights into enhancing voluntary disclosure steering committee report. This report chooses many listed companies in 8 industries as samples, summarizes voluntary disclosure's types, frame, costs, and effects, and makes prospect for the future business reports. It defines voluntary disclosure as: the information disclosed voluntarily by listed companies, but not the basic financial information that is required to be publicized by the widely acceptable accounting principles and the requirements of securities regulatory agencies. Voluntary disclosure aims at introducing and explaining companies' potentials to investors, driving the fluidity of capital market, guaranteeing more effective allocation of capitals, and decreasing capital costs. Achieve a more positive communication with investors as perfecting the information disclosure market regulatory rules.

To the Securities and Exchange Commission (SEC, 2001) a better approach to improving voluntary disclosure is to create an overall environment that makes it easier and safer for companies to disclose more information beyond the standard financial statements. There are several incentives for voluntary disclosure. Some incentives are based on the effort of maintaining credibility, reducing investor uncertainty, reducing the cost of capital, making possible an increase in value of securities of the company through public disclosure of information known only by administrators, which may reveal that the company has a higher value than that perceived by the market. Table 4.2 shows a comparison of voluntary disclosure and compulsory disclosure.

Table 4.2: A comparison of voluntary disclosure and compulsory disclosure

Way of disclosure	Voluntary disclosure	Compulsory disclosure
Definition	Except compulsory disclosure, the information disclosed by listed companies for the sake of corporate images, relationship with investors, and avoidance of accusation risks	The information that is required to be disclosed according to the securities law, accounting principles, and regulatory agencies' regulations
Motive	Self-interested information communication between listed companies and other interest-related parties	Use laws and regulations to adjust the information communication between listed companies and other interest related parties
Content	Companies' future strategies, R&D plans, prediction information, purchase and merger	Companies introduction, basic financial information, information about the board and top managers,

	information, investment project analysis, and financial information analysis, etc.	vital related transactions, explains for important items
Carrier	Annual reports, public announcement, booklets, website, road show, etc.	Annual report, interim report, and season report
Time	At the right time	Fixed time in a year and a season
Balance mechanism	Corporate governance mechanism's design and effectiveness	Laws' regulations and execution
Root of disclosure	Economic globalization and globalization of capital market	Monopoly of companies on self information

4.6 The Classification of the contents of voluntary disclosures

In order to analyze the voluntary disclosure of the company, another important step is to classify the content of information disclosed. Persons (2009) classified disclosures in his study in terms of type of information as financial, non-financial and information on outlook, forward looking and historical. This classification allowed him to recognize the effectiveness of voluntary disclosure as a tool for stakeholder management.

Some studies classified voluntary disclosure into three categories as strategic information, financial information and non-financial information (Meek, 1995; Eng & Mak, 2003; Lim et al., 2007). These types are directed at different users of the annual report such as investors and other stakeholders (Lim et al., 2007). Strategic and financial information have been recognized as decision-relevant to investors while non-financial information is recognized as a company's accountability and targeted on a broader group of stakeholders than the owners and investors (Meek et al., 1995).

A study by Wang Xue (2008) classified the voluntary disclosures as background information, business information, financial information and non-financial information. Hossain and Hammami(2009) classified the contents of voluntary disclosure into seven categories such as general information, corporate strategy, corporate governance, financial information, general risk management, accounting policy review and other information. While Barako (2007) classified it into four categories namely general and strategic information, financial data, forward-looking information and social and board disclosure. Chau and Gray (2002) in their study classified voluntary disclosure such as general corporate information, corporate strategy, acquisition and disposal, research & development, future prospects, information about directors, employee information and social policy and value-added information. Similar classification is found in the study of Haniffa and Cooke (2000).

This study has classified thirteen categories of voluntary disclosure as general corporate information, corporate strategic information, corporate governance information, financial information, financial review information, foreign currency information, segmental information, employee information, research & development information, future forecast information, share price information, social responsibility information and graphical information.

4.7 The Reasons for voluntary disclosure

Management of companies provides voluntary items in their annual reports because they perceived those items as important to be disclosed. Management wants to give information to users through annual reports in such a way that they are capable of meeting various needs of users for decision-making.

There are various user groups of annual reports and each group has different perception regarding the voluntary items. One group may perceive item A as more important than item B. These differing perceptions among groups might be caused by different information needs to fulfill their specific purposes. Through annual reports, users can obtain more firms' information relating to their decision-making. Although there are many sources of information regarding business entity, an annual report is considered as the most important and valued source of information.

With regard to reasons why companies disclose voluntary items, theory suggests that many of the reasons why managements disclose voluntarily items to users are centered on the need to raise capital at the lowest possible cost (Cooke,1989). The following explanations may support reasons why companies disclose information voluntarily:

1. Additional disclosures may help to attract new shareholders thereby helping to maintain a healthy demand for shares. Additional disclosure by providing more information relating to the present and future condition of firm's wealth in order to build an image that may generate goodwill for future benefits.
2. Increased information may assist in reducing informational risk, which could lower the cost of capital.
3. For the purpose of raising capital on the market, companies may increase their voluntary disclosure in annual reports. Consequently, listed companies are more likely to have a higher level of disclosure than unlisted companies
4. Multiple listed companies often have an interest in foreign capital markets since foreign operations are often financed by capital. Disclosure level might be increased to adapt to local customs to meet the requirements of banks and other suppliers of capital.
5. Listed and multiple listed companies might increase their social responsibility disclosure to demonstrate that they act responsibly. Companies may have attained their status on the securities markets and are able to attract new shareholders for raising fund because they act responsibly.
6. Under the capital market transactions hypothesis, managers who plan on making capital market transactions (i.e., issuing public debt or equity) have incentives to provide voluntary disclosures to reduce information asymmetry between the managers and investors.

4.8 Motivations to voluntary disclosure

As voluntary disclosure depends upon management's judgment, Healy and Palepu (2001) discussed management motives for making decision on voluntary disclosures for capital market reasons. The six motivations to voluntary disclosure are as follows:

4.8.1 Capital markets information asymmetry

When a company's managers want to issue new capital through equity or debt, the perception of investors towards information asymmetry between managers and those outside investors needs to be reduced (Myers & Majluf,1984). As a consequence, the cost of external financing and capital should be decreased. Voluntary information disclosure can help achieve this objective, where a reduction in information asymmetry may occur when voluntary disclosure is increased to outside investors (Diamond & Verrecchia, 1991; Kim & Verrecchia, 1994; Healy & Palepu, 2001; Graham et al., 2005).

4.8.2 Corporate control contest

The possibility of a firm's undervaluation is another motive for managers to increase voluntary disclosure in order to reduce such a possibility, especially when poor earnings and stock performance might lead to the risk of job loss (Healy & Palepu, 2001; Graham et al., 2005), for example, the case of poor stock performance associated with chief executive officers turnovers (Warner et al., 1988; Weisbach, 1988). As a result, managers increase information disclosure as in order to retain corporate control, to explain the reasons for poor performance and reduce the possibility of undervaluing the company's stocks (Healy & Palepu, 2001).

4.8.3 Stock compensation

Rewarding managers with stock-based compensation plans, such as stock appreciation rights and stock option grants, is another motive for increased voluntary information disclosure (Healy & Palepu, 2001; Graham et al., 2005).

Two reasons justify this motivation: first, managers will have incentives to reduce contracting costs associated with stock compensation for new employees when they act in the interest of existing shareholders (Aboody & Kasznik, 2000).

Second, when managers are interested in trading their shares, they will be motivated to disclose private information to meet the insider trading rules' restrictions and to correct any undervaluation perceptions before the stock option awards expire (Healy & Palepu, 2001; Graham et al., 2005).

4.8.4 Increased analyst coverage

Increased voluntary disclosure of information decreases the cost of information acquisition by analysts; since management's private information is not totally required by mandatory disclosure. The number of analysts following the company would increase as a result of increasing the amount of information available to them (Lang & Lundholm, 1996; Graham et al., 2005).

4.8.5 Management talent signaling

Investors' perception of managers' ability to predict future changes in the company's economic environment and respond to them is one of the determinants of a company's market value. Accordingly, talented managers voluntarily disclose information about earnings forecasts to reveal their talent (Healy & Palepu, 2001; Graham et al., 2005). Graham et al. (2005) argue that managers limit information disclosures that may be used against them by regulators.

4.8.6 Limitations of mandatory disclosure

Since regulations and laws do not usually meet the need of information by investors through mandatory disclosure (Graham et al., 2005), because in most cases laws and regulations provide investors with the minimum quantity of information that helps in the decision-making process (Al-Razeen & Karbhari, 2004), the need for voluntary information disclosure arises. Accordingly, voluntary disclosure is perceived as filling the gaps missed by mandatory disclosure (Graham et al., 2005).

4.9 Constraints on voluntary disclosure

Factors that limit and/or prevent managers from voluntarily disclosing corporate information are as follows:

4.9.1 Disclosure pattern

Setting a disclosure pattern is one of the factors that reduce voluntary information disclosure, as it means that managers have to maintain the same pattern in the future, although this may be difficult to preserve (Graham et al., 2005). Moreover, the market would expect the company to be committed to the new disclosures and maintain them even if the news is good or bad. This provides an incentive for managers to reduce voluntary disclosures (Graham et al., 2005).

4.9.2 Proprietary costs

Proprietary information has been defined by Dye (1985) as "any information whose disclosure potentially alters a firm's future earnings gross of senior management's compensation" including information that may decrease customer's demand for a company's products. Accordingly, managers favor not to disclose information that may affect the competitive position of their company in a market, even if this would increase the associated cost of capital. It can be said that proprietary costs represent the competitive disadvantage (Campbell et al., 2001). Managers can be expected to disclose aggregate performance information when their company has different performance across its segments (Hayes & Lundholm, 1996; Healy & Palepu, 2001). On the other hand, firms with similar declining profitability across its segments will disclose more segment information (Piotroski, 1999).

4.9.3 Agency costs

Nanda et al. (2003) argue that agency issues are one of the reasons beyond reduced voluntary disclosure. Managers' desire to keep away from potential attention and follow up from stockholders and bondholders about unimportant items, such as career concerns and external reputation, is one of the factors that limit voluntary disclosure (Graham et al., 2005).

4.9.4 Political costs

Generally speaking, managers prefer not to disclose voluntary information that regulators might use against them (Graham et al., 2005). According to Watts & Zimmerman (1978), political costs depend on the firm's size. Large companies with high profits are more likely to decrease voluntary information disclosure level, to avoid being subject to any political attacks such as the threat of nationalization and to reduce the expected attention that would be drawn based on high reported profits (Wallace et al., 1994; Camfferman & Cooke, 2002; Khalid, 2006). Income taxes are also among the political costs incurred, which depend heavily on the reported profits; the higher the reported profits, the more taxes on business profits (political costs) being paid by a firm.

4.10 Theories supporting voluntary disclosure of information

There are several reasons that lead companies to disclose information in excess of requirements, i.e., there are several motivations for voluntary disclosure. In this context, a number of theories arise that attempt to justify this behavior by firms.

Voluntary disclosure is the excess of information those required by laws, accounting standards or stock exchange listing requirements regulations. Voluntary disclosure refers to information made available at the good judgment of the corporation. The extent of voluntary disclosure is influenced by changes in the attitudes in society, economic factors and behavioral factors such as the particulars corporate culture. Voluntary disclosure has become an effective way to demonstrate the competitiveness, communicate with related organizations and person and describe the future of company (Hongxia Li & Ainian Qi, 2008).

Disclosures in excess of those required by laws, accounting standards or stock exchange listing requirement regulations are called voluntary disclosure. Companies continue to disclose voluntary information despite ever increasing mandatory requirements and so the motivation for such behavior has been the focus of much attention (Watson et al.; 2002)

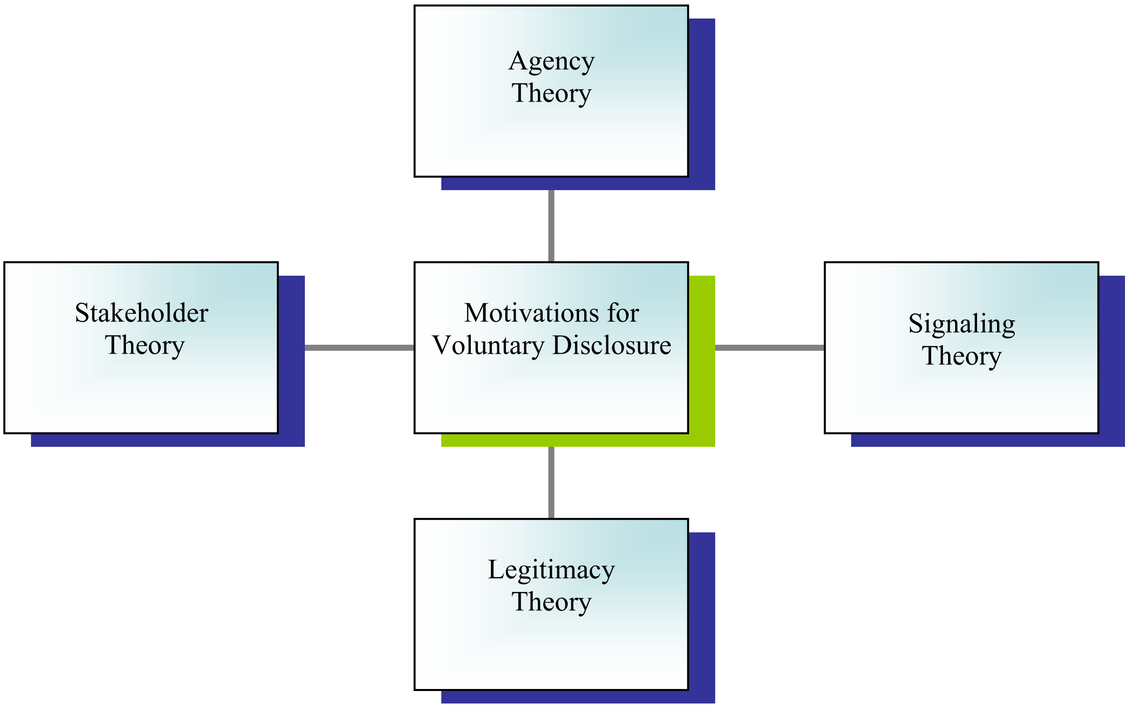


Figure-4.2: Theories explaining motivations for voluntary disclosure

Figure 4.2 shows, some of the theories are influencing the motivations for voluntary disclosure, such as agency theory, signaling theory, legitimacy theory and stakeholder theory.

4.10.1 Agency theory

Agency theory, initially developed by Jensen and Meckling (1976), is based on the conflict of interest between owners (the principal) and the managers of these (the agent), in situations where there is a separation between the ownership and management or in situations where one person delegates a task to another or the management of certain interests.

An agency theory is relationship as “a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent”. The theory models the relationship between the principal and the agent. In the context of the firm, the agent (manager) acts on behalf of the principal (shareholder)

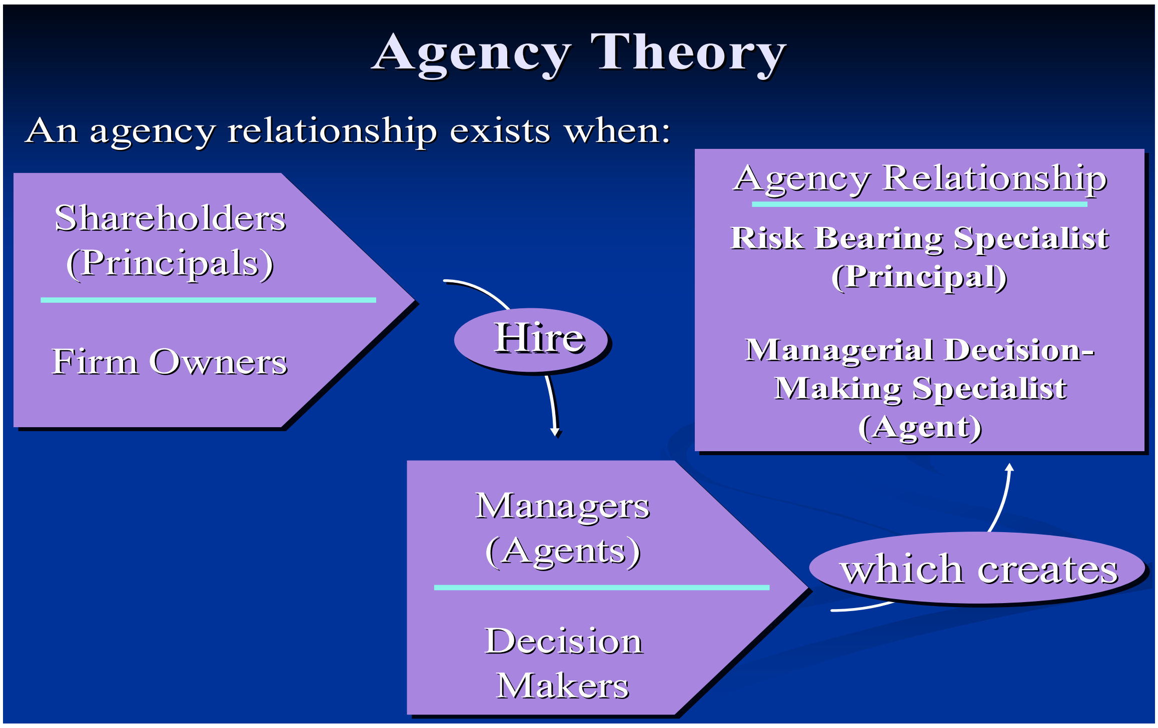


Figure-4.3: The relationship between Shareholders and Managers

Figure-4.3: shows that shareholders purchases stock becoming owner of the firm and reduce risk efficiently by holding diversified portfolios and professional manager contract to provide decision-making.

A major issue with respect to the firm is the information irregularity between managers and shareholders. In this agency relationship, insiders (managers) have an information advantage because owners cannot accurately evaluate and determine the value of decision making. To mitigate these agent-shareholder conflicts, formal contracts are thus negotiated. In short, Agency theory reduces the conflict between the shareholder (principals) and manager (agent).

Agency theory is concerned with resolving the problems that can occur in agency relationships (Jensen & Meckling, 1976). They define agency relationship as a contract under which the owners of the organization (principal(s)) engage the manager (agent) to perform some service on their behalf. Under this arrangement, the owners delegate some decision making authority to the manager. It is presumed that both parties maximize utility with varying philosophies and this could result in divergent and misaligned interest between them. Owners' would want to maximize net present value of firm while the managers would want to maximize utility, of which income is part. Most cases, the agent will not always act in the best interests of the principal. The agents could also hide information for selfish purpose by non-disclosure of important facts about the organization (Barako et al., 2006). Owners face moral dilemmas because most times they cannot ascertain or evaluate the decision made by their agents (Barako, 2007). This conflict of interest results to "agency problem" and "principal-agent problem" whose resolution incurs agency costs (Khalid, 2006).

Barako, et al (2006) reported that managers may focus on their own personal interests, rather than maximizing shareholders' wealth. Thus it is essential for shareholders to create the mechanisms to mitigate agency problems by aligning the interests between principal-agent or by monitoring the agent's opportunistic behavior.

The agency theory assumes that the existence of agency costs arises from the contractual relationship between parties. Voluntary disclosure can also strengthen the confidence of external investors in relation to management, reducing equally the costs of the agency (Leventis & Weetman, 2004).

The importance of agency theory in disclosure, as claimed by Healy and Palepu (2001), deals with the problem of information asymmetry that exists between who disseminates it (the managers acting as agents) and the users of that information (investors and other stakeholders by acting as principals).

4.10.2 Signaling theory

According to Spence (1973) and Ross (1977) in case of information asymmetry, approached by Akerl of (1970), the signaling theory assumes that firms with higher performance use financial information as a tool to transmit signals to the market. Signaling theory is useful for describing behavior when two parties (individuals or organizations) have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal (Khalid, 2006).

Signaling theory is focused on information asymmetry among parties that are involved in the allocation of firm funds. Financial markets are based on contractual relationships that occur under conflicting conditions where, if one market player benefits, another loses. Contractual relationships reflect economic decisions which, when approached rationally are based on the quality, the reliability, and the timeliness of information related to the contract "Insiders (managers and owners) know better"–When Firm's future genuinely looks good (i.e. high forecasted cash flows, earnings, NI, and ROE) then managers will choose to raise financing through debt (or Bonds or Loan) because they do not want to share the financial gain with more shareholders. Rather they prefer to take on debt and pay a small interest to the debt holders. There is almost no risk of default. When Firm's outlook looks bad, then managers will choose to raise capital by issuing equity (or stock) to be able to share the likely losses amongst more shareholders (owners). If they took debt and couldn't repay it, they might default and be forced to go bankrupt.

According to signalling theory, lenders and investors (principals) require companies who are seeking for capital (agents) to provide information about their performance. The management, therefore, is naturally induced to send signals to the market (Healy & Palepu, 2001).

Signalling theory transmits signals to the market about the performance of company. If the good performance of the company, Signalling theory provides good signal to the market. On the other hand, if the bad performance of the company, Signalling theory provides bad signal to the market.

Signalling theory goes so far as to posit that the most profitable companies signal their competitive strength by communicating more and better information to the market.

4.10.3 Legitimacy theory

The legitimacy theory posits that businesses are bound by the social contract in which the firms agree to perform various socially desired actions in return for approval of its objectives and other rewards, and this ultimately guarantees its continued existence.

The legitimacy theory is based on the notion of a social contract that exists between the organization and society. Companies operate under the rules and limits of the societies in which they operate. Thus, the companies will have to be sure that its activities are in agreement, or are perceived as being in agreement, with the norms and values of the society, to prevent the disruption of the contract, loosing its legitimacy (Lightstone & Driscoll, 2008). This theory focuses on the recognition of society, i.e., on the adequacy of corporate social behavior (Magness, 2006). This means that society judges enterprises through the image that companies create of themselves. The only way for companies to survive is *"if the societies where they are inserted realize that the company is operating according to a set of values that are beneficial to society"* (Gray et al., 1996). Thus, companies can establish their legitimacy by matching their performance with the expectations and perceptions of society itself. Legitimacy problems occur when there is a gap between society's expectations and the perceptions about the social behavior of the company. In short, the theory of legitimacy comprises two essential factors. Firstly, the activities developed by companies must be in accordance with social values of the society in which it operates. Secondly, those activities must be submitted to the society through the disclosure made by the company.

4.10.4 Stakeholder theory

Stakeholder theory is of managerial in that it recommends attitudes, structures, and practices and requires that simultaneous attention be given to the interests of all legitimate stakeholders (Donaldson & Preston, 1995). Stakeholder theory is that an organization can enhance the interest of its stockholders without damaging the interests of its wider stakeholders. Any identifiable group or individual who can affect the achievement of an organization's objectives, or it is affected by the achievement of an organization's objectives (Jensen, 2002). Stakeholder theory is allocating importance to the value of different groups of stakeholders. Any organization or person that can affect or be affected by the policies or activities of any entity is called stakeholders. Two types of stakeholders show in figure-4.4, internal Stakeholders: such as owners, manager employees, customers and external Stakeholders such as supplies, customers, shareholders, creditors, government, society.

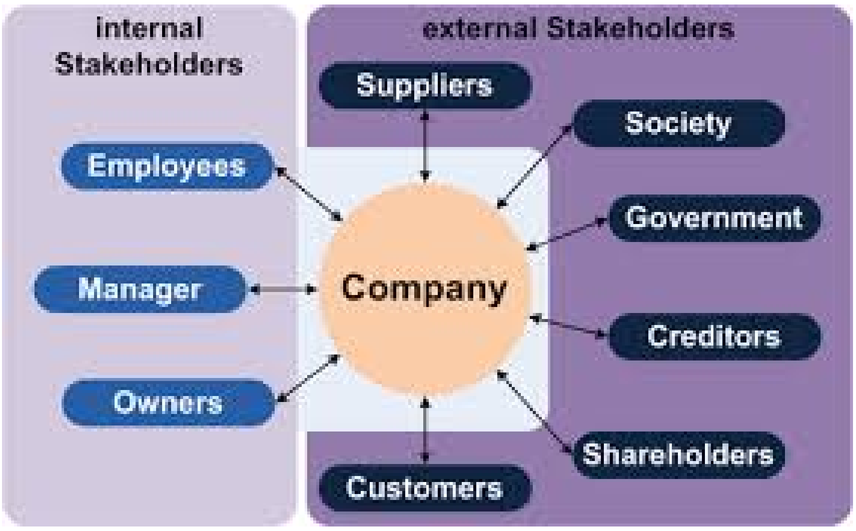


Figure-4.4: structure of Stakeholders theory

According to Freeman et al. (2002), the stakeholder approach has the following characteristics:

- It promotes the establishment of a management structure, with strategies flexible enough so that the company does not need to regularly adopt new paradigms;
- It puts the objective in the company's survival. To achieve this objective management must be supported by all those who influence or are influenced by the company;
- The various stakeholder groups should share with the company a set of values; and
- It assumes that the successful strategies are those that incorporate the perspectives of all stakeholders.

According to this theory, the main objective of the company is to create value for all stakeholders. Thus, the company can not be understood merely as a socio-economic institution in function of their owners or shareholders who risk their capital in order to obtain profits.

4.11 Hypotheses development

The demand for published financial disclosure of companies has increased worldwide as users of the information have become more attentive. But frequently disclosure does not serve the need of the users because managers are likely to consider their own interests when exercising managerial judgment. In fact, this increases the disclosure gap between expected and actual disclosures. In other words, improved disclosure reduces the gap between management and the outsiders, enhances the value of stock in the capital market, increases liquidity, reduces cost and so on (Apostolos, et al.2009; Hossain, et al.2006; McKinnon and Dalimunthe, 2009; Karim, 1996). One great characteristic in corporate reporting is that a company generally provides information to release specific obligations: to society, investor, supplier, creditors and legal authorities. However, the decision to provide or not provide certain information is likely to be influenced by a variety of factors like independent directors, firm size, profitability, board size, board leadership structure, ownership structure, leverage, family control and listing status to find out their links with disclosure. Earlier studies examine various company attributes and their association to the level of voluntary disclosure. Here, the study focuses the level of voluntary disclosure linking to firm size, profitability, percentage of female directors, percentage of independent directors, board leadership structure, board size and ownership structure.

4.11.1 Firm-specific characteristics

4.11.1.1 Firm size

Most of the studies found that size of the firm does affect the level of disclosure of companies. Hossain and Hammani (2009); Jilnaught and Norman (2009); Hossain and Mitra (2004); New, et al.(1998); Ahmed and John,1999; Adams, et al.(1998) Barako et al.(2006) investigated that the larger the firm, the more likely they will make voluntary disclosures. Based on the study done world wide, for example (Aripin, et al.,2008;Watson et al., 2002; Da-Silva & Christensen, 2004; Wallace et al.,1994; Samir, et al., 2003; Ho & Wong, 2001); they suggested the underlying reasons why larger firms disclose more information. The reasons proposed are that managers of larger companies are more likely to realize the possible benefits of better disclosure and small companies are more likely to feel that full disclosure of information could endanger their competitive position. Thus, the impact of the firm size is expected to be positively associated with the extent of voluntary disclosures. In contrast, Barako(2007); Hossain et al.(2006) suggested that firms size does not affect the level of corporate voluntary disclosure. In this study, total sales and total assets have been used as the measures of company size. The following specific hypotheses have been developed regarding size of the firm:

***H_1**: The total assets of a firm are positively associated with the level of voluntary disclosures.*

***H_2**: The total sales of a firm are positively associated with the level of voluntary disclosures.*

4.11.1.2 Profitability

Managers are motivated to disclose more detailed information to support the continuance of their positions and remuneration and to signal institutional confidence. Apostolos, et al., 2009; Karim, 1996; Samir, et al., 2003; Meek, et al. (1995) suggest that profitability of the companies are expected to disclose more information about their performance. Bujaki and McConomy (2002) show that firm facing a slowdown in revenues tends to increase their disclosure of corporate governance practices. Moreover, firms suffering serious corporate governance failures tend to provide extensive disclosure of governance guideline implemented in the period after such failures. Haniffa and Cooke (2002) find a positive and significant association between the firm’s profitability and the extent of voluntary disclosure, which is consistent with the early studies (Leventis and Weetman, 2004; Kusumawati, 2006). In this study, profitability is measured by return on assets and return on sales; that is, net income divided by total assets and net income divided by total sales. The following specific hypotheses have been developed regarding profitability of the firm:

***H_3**: The return on assets (ROA) of a firm is positively associated with the level of voluntary disclosures.*

***H_4**: The return on sales (ROS) of a firm is positively associated with the level of voluntary disclosures.*

4.11.2 Corporate governance

4.11.2.1 Female directors

A board of directors is a body of elected or appointed members who jointly oversee the activities of a company or organization. A board is generally composed of inside and outside members. Inside members are selected from among the executive officers of a firm. Outside directors are members whose only affiliation with the firm is their directorship. According to Van der Walt and Ingley (2003), board diversity refers to the variety in the composition of the board of directors. Within this definition, there are two categories of board diversity, namely, demographic diversity and cognitive diversity. Demographic diversity relates to the observable or readily detectable attributes of directors that includes race or ethnicity, nationality, gender and age, whereas, cognitive diversity relates to the unobservable or less visible attributes of directors, such as educational, functional and occupational backgrounds, industry experience, and organizational membership (Milliken & Martin 1996). For the purpose of this study, one important dimension of board diversity is examined; namely gender diversity. This dimension is chosen because of their benefits offered to firms. For examples, a female director may bring not only different perspectives, valuable skill and knowledge to share, but also share different values, norms and understanding, which may consequently increase the quality of strategic decision making and promote better governance in firms (Ruigrok et al. 2007). In this view, it is argued that a firm may have higher level of disclosure if the boards consist of more female directors. These observations suggest the following hypothesis:

> ***H_5****: A higher proportion of female directors on a board are positively related to the level of voluntary disclosure.*

4.11.2.2 Independent directors

A board is generally composed of inside and outside members. Inside members are selected from among the executive officers of a firm. They either belong to the management group or are the family that owns the firm. Outside directors are members whose only affiliation with the firm is their directorship. Empirical evidence on the importance of non-executive directors on board has been mixed. The outside directors are more effective than inside directors in maximizing shareholders' wealth. In contrast, the inside directors can contribute more to a firm than outside directors due to their firm-specific knowledge and expertise. Patelli, and Prencipe (2007) reported that composition of the board is one of several factors that can mitigate agency conflicts within the firm. Akhtaruddin, et al., (2009) hold the argument that independent directors are needed on the boards to monitor and control the actions of executive directors who may engage in opportunistic behavior and also to ensure that managers are working in the best interest of the principal. Cheng and Courtenay (2006) found that boards with a larger proportion of independent directors are significantly and positively associated with higher levels of voluntary disclosure. In addition, Chen and Jaggi (2002) examined the association between independent directors and corporate disclosure. They found a positive relationship between a board with a higher proportion of independent directors and comprehensive financial disclosure. These findings are consistent with agency theory tenets where a higher proportion of independent directors enhance voluntary financial reporting (Barako, et al., 2006). The reason for this is that the presence of independent directors reduces the cost of voluntary disclosure because directors are generally independent of the day-to-day business operations of the firm (Patelli & Prencipe, 2007).

Haniffa and Cooke (2002) argue that an independent board serves as an important check and balance mechanism in enhancing boards' effectiveness. Support for these assertions is further provided by Barako, et al. (2006); Simon and Kar (2001); Pettigrew and McNulty (1995) and Eng and Mak (2003). Ho and Wong (2001) do not find association between the proportion of outside non-executive directors and the extent of voluntary disclosure. Aktaruddin, et al.(2009) and Persons (2009) find that firms can expect more voluntary disclosure with the inclusion of a larger number of independent directors on the board. A firm may have higher level of disclosure if the boards consist of more outside directors. These observations suggest the following hypothesis:

H_6*: A higher proportion of independent directors on a board are positively related to the level of voluntary disclosure.*

4.11.2.3 Board leadership structure

In the context of corporate governance, the often discussed central issue is whether the chair of the board of directors and CEO positions should be held by different persons (dual leadership structure) or by one person (unitary leadership structure). According to agency theory, the combined functions (unitary leadership structure) can significantly impair the boards' most important functions of monitoring, disciplining and compensating senior managers. It also enables the CEO to engage in opportunistic behavior, because of his or her dominance over the board. Forker (1992) empirically studied the relationship between corporate governance and disclosure quality, and presented the evidence of a negative relationship between disclosure quality and 'dominant personality' (measured as CEO and board chair combined). So it is expected that dual leadership structure may influence the level of voluntary disclosure in the annual reports. These observations suggest the following hypothesis:

***H*$_7$*: Dual leadership structure of a firm is positively related to the level of voluntary disclosure.*

4.11.2.4 Board size

Board size may influence the level of voluntary disclosure. The level of disclosure is a strategic decision made of the board of directors. As a top-level management body, the board of directors formulates policies and strategies to be followed by managers. It has been argued that a greater number of directors on the board may reduce the likelihood of information asymmetry (Chen & Jaggi, 2000). Research emphasizes the importance of strategic information and resources in a highly uncertain environment. The size of the board is believed to affect the ability of the board to monitor and evaluate management and small board encourages faster information processing (Zahra, et al., 2000). Aktaruddin, et al., (2009) found in their study that there is a positive association between board size and level of corporate voluntary disclosure. They argued that the ability of directors to control and promote value-creating activities is more likely to increase with the increase of directors on the board. With more directors, the collective experience and expertise of the board will increase, and therefore, the need for information disclosure will be higher. From these observations, the following hypothesis is drawn:

***H*$_8$*: The number of directors on a board is positively associated with the level of voluntary disclosure.*

4.11.2. 5 Ownership structure

Ownership structure is another mechanism that aligns the interest of shareholders and managers (Akhtaruddin, et al.2009; Wang, et al., 2008; Eng & Mak, 2003; Haniffa & Cooke, 2002; Chau & Gray, 2002). The agency theory suggests that where there is a separation of ownership and control of a firm, the potential for agency costs arises because of conflicts of interest between contracting parties. It is believed that agency problems will be higher in the widely held companies because of the diverse interests between contracting parties. By utilizing voluntary disclosure, managers provide more information to signal that they work in the best interests of shareholders.

Agency theory indicates firms with higher management of ownership structure may disclose less information to shareholders through voluntary disclosure. It is because the determined ownership structure provides firms lower incentives to voluntarily disclose information to meet the needs of non-dispersed shareholder groups. In Australia, McKinnon and Dalimunthe (1993) note that companies with a single ownership structure disclose more voluntary information. Hossain, et al. (1995) suggested a negative association between management ownership structure and the level of voluntary disclosure by Malaysian listed firms. Akhtaruddin, et al.(2009) find that a higher proportion of outside share ownership is positively related to the level of voluntary disclosure. In addition, Hongxia and Ainian (2008) showed that higher managerial ownership have high level of voluntary disclosure. Eng and Mark (2003) reported that lower management ownership and significant government ownership are associated with higher disclosure among listed firms. Haniffa and Cooke (2002) indicate that the extent of family control in a firm is negatively associated with the amount of voluntary disclosure. Their evidence suggests that family controlled firms do not require additional information because the owner managers could access the information easily, that leads to low agency costs and low information irregularity. The management entrenchment hypothesis could also explain the negative association and its effects could negate the positive effects of the agency cost explanations. The significant role of management ownership in influencing voluntary disclosures practices of firms from the prior researcher. So it is expected that ownership structure will influence the voluntary disclosure information. The hypothesis is formally stated as:

***H_9:** The percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the level of voluntary disclosures.*

4.11. 3 Users' Perception on voluntary disclosure

4.11.3.1 Qualitative characteristics of voluntary information

Qualitative characteristics of accounting information are those characteristics which contribute to the quality or value of the information. FASB has identified two fundamental qualitative characteristics that make financial information useful, relevance and faithful representation, and four qualitative characteristics - comparability, verifiability, timeliness and understandability that enhance the usefulness of relevance and faithfully represented financial information.

Different types of users use corporate voluntary information in accordance to their own requirements. As the users are different in needs, academic qualifications, work experiences, dependable level, importance level, purposes, categories, competences, professions, time of use, knowledge, etc., the importance of all information to the different users groups is not equal. For this different users want to know different aspects of voluntary information of the company. From the discussions, the following null-hypotheses are drawn:

H_{10} = *There are no significant differences in perceptions of the respondent groups about their dependence on corporate voluntary information comprised in corporate annual reports in their decision making.*

H_{11} = *There are no significant differences in perceptions of the respondent groups about the importance level of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

4.11.3.2 Fundamental qualitative characteristics of voluntary information

4.11.3.2.1 Relevance of corporate voluntary information

Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future event or confirming or correcting, their past evaluations. Financial information has predictive value if it has value as an input to predictive processes used by investors to form their own expectations about the future (useful in making forecasts), confirmatory value (useful to evaluate past decisions or forecasts), or both. In other words, relevant information helps users of financial information to evaluate past, present and future events or to confirm or correct their past evaluations in a decision making. Materiality: Information is considered to be material if omission or misstatement of the information could influence users' decisions. Materiality is a function of the nature and /or magnitude of the information. From the discussions, the following null-hypotheses are drawn:

H_{12} = *There are no significant differences in perceptions of the respondent groups about the relevance of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{13} = *There are no significant differences in perceptions of the respondent groups about the predictive value of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{14} = *There are no significant differences in perceptions of the respondent groups about the confirmatory value of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{15} = *There are no significant differences in perceptions of the respondent groups about the materiality of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

4.11.3.2.2 Faithful representation of corporate voluntary information

Information that faithfully represents an economic phenomenon that it purports to represent is ideally complete, neutral and free from error. Complete means that all information necessary to understand the phenomenon is depicted. Neutral means that information is selected and presented without bias. In other words, the information is not presented in such a manner as to bias the users' decisions. Free from error means that there are no errors of commission or omission in the description of the economic phenomenon, and that an appropriate process to arrive at the reported information was selected and was adhered to without error. Faithful representation maximizes the qualities of complete, neutral and free from error to the extent possible. From the discussions, the following null-hypotheses are drawn:

H_{16} = *There are no significant differences in perceptions of the respondent groups about the faithful representation of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{17} = *There are no significant differences in perceptions of the respondent groups about the completeness of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{18} = *There are no significant differences in perceptions of the respondent groups about the neutrality of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{19} = *There are no significant differences in perceptions of the respondent groups about the free from error of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

4.11.3.2.3 Enhancing qualitative characteristics of corporate voluntary information

FASB has identified four enhancing qualitative characteristics - comparability, verifiability, timeliness and understandability. Comparability enables users to identify the real similarities and differences in economic phenomena because these differences and similarities have not been covered by the use of non-comparable accounting methods. Users must be able to compare the financial statements of an enterprise from time to time in order to identify trends in its financial position and performance. User must also be able to compare the financial statement of different enterprises in order to evaluate their relative financial positions, performances and changes in financial positions. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Timeliness means having information available to decision-makers in time to make correct and prompt decisions. Generally, the older the information the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends. An essential quality of the information provided in financial statements is that it is readily understandable by the users. For this purpose, users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. From the discussions, the following null-hypotheses are drawn:

H_{20} = *There are no significant differences in perceptions of the respondent groups about the comparability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{21} = *There are no significant differences in perceptions of the respondent groups about the verifiability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{22} = *There are no significant differences in perceptions of the respondent groups about the timeliness of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{23} = *There are no significant differences in perceptions of the respondent groups about the understandability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{24} = *There are no significant differences in perceptions of the respondent groups about the reliability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{25} = *There are no significant differences in perceptions of the respondent groups about the capability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

H_{26} = *There are no significant differences in perceptions of the respondent groups about the necessity of a special monitoring cell for the disclosure of voluntary information comprised in corporate annual reports in Bangladesh.*

4.12 Conclusion

This chapter intends to make a theoretical framework of the subject under the study. The first approach begins by addressing the basic concept of corporate financial reporting, objectives of corporate financial reporting, qualitative characteristics of accounting information (SFAC No.8) issued by FASB. Secondly, it provides the summary of the concept of voluntary disclosure, the idea of motivations to voluntary disclosure and Constraints on voluntary disclosure. Thirdly, it provides the summary of various supporting theories (agency theory, signaling theory, legitimacy theory, stakeholder theory) of voluntary disclosure that is helpful to develop the research problems. Finally, this chapter addresses the development of hypotheses for the study.

CHAPTER-5

Research Design

CHAPTER-5

Research Design

5. Introduction

The objective of this chapter is to outline the methodology adopted in this study. The following section discusses the research approach taken for the empirical work. The univariate and multivariate analyses are applied in order to provide the best understanding of research problems. Since this is a quantitative empirical study, a significant portion of this chapter is devoted to identifying and justifying the dependent and independent variables used in the subsequent empirical analysis. The chapter explains in detail how the dependent variables (i.e. voluntary disclosure score) are measured. The measurement of independent variables are also discussed here (i.e. firms size (total assets and total sales), profitability (return on assets and return on sales), the percentage of female directors, the percentages of independent directors , board leadership structure, board size, ownership structure.

The structure of this chapter is as follows: Section 5.1 summarizes framework of the study. Section 5.1.1 describes measurement of variables. Section 5.2 addresses the types of data. Section 5.2.1 explains secondary data. Section 5.2.1.1 describes sample selection and data collection. Section 5.2.1.2 addresses the selection of index- weighted vs. un-weighted. Section 5.2.1.3 describes development of a voluntary disclosure index. Section 5.2.1.4 explains data analysis. Section 5.2.1.4.1 describes the descriptive statistics. Section 5.2.1.4.2 discusses the correlation of variables. Section 5.2.1.4.3 addresses the model specification and multiple regressions. Section 5.2.2 discusses the primary data. Section 5.2.2.1 summarizes preparation of questionnaire. Section 5.2.2.2 explains respondent group. Section 5.2.2.3 describes analysis of data .Section 5.3 addresses operational definitions of variables, expected signs and relationship in the regression.

5.1 Framework of the study

Considering all factors of the independent and dependent variables, the model of the study is depicted the following Table-5.1

5.1.1 Measurement of variables

Table: 5.1

Dependant variable	**Definition**	**Measurement**
TVDS	Total Voluntary Discloser Score	Total number of points awarded for voluntary discloser, i.e. strategic, non-financial and financial information (coding one "1" if the company disclose and zero "0" otherwise)
Independent variables	**Definition**	**Measurement**
TA	Total Assets	The value of the total assets of a firm
TS	Total Sales	The value of the total sales turnover of a firm
ROA	Return on Assets	Percentage of net profit after taxes to the total assets of a firm
ROS	Return on Sales	Percentage of net profit after taxes to the total sales of a firm
PFD	Percentage of Female Directors	Percentage of female directors to the total directors on board a firm.
PIND	Percentage of Independent Directors	Percentage of independent directors to the total directors on board a firm.
BLS	Board Leadership Structure	1 for duel or 0 non-dual
BSZE	Board Size	Total number of members on each board
PEOI	Ownership Structure	Percentage of equity owned by the insiders to an all equity firm.

5.2 Types of data

The present study is based on both the secondary and primary data which are given below:

5.2.1 Secondary data

The secondary data has been collected from the corporate annual reports of the selected non-financial companies on Dhaka Stock Exchange (DSE). In the present study the comprehensive corporate annual reports of the selected non-financial companies of the selected years have been used to compute the disclosure scores.

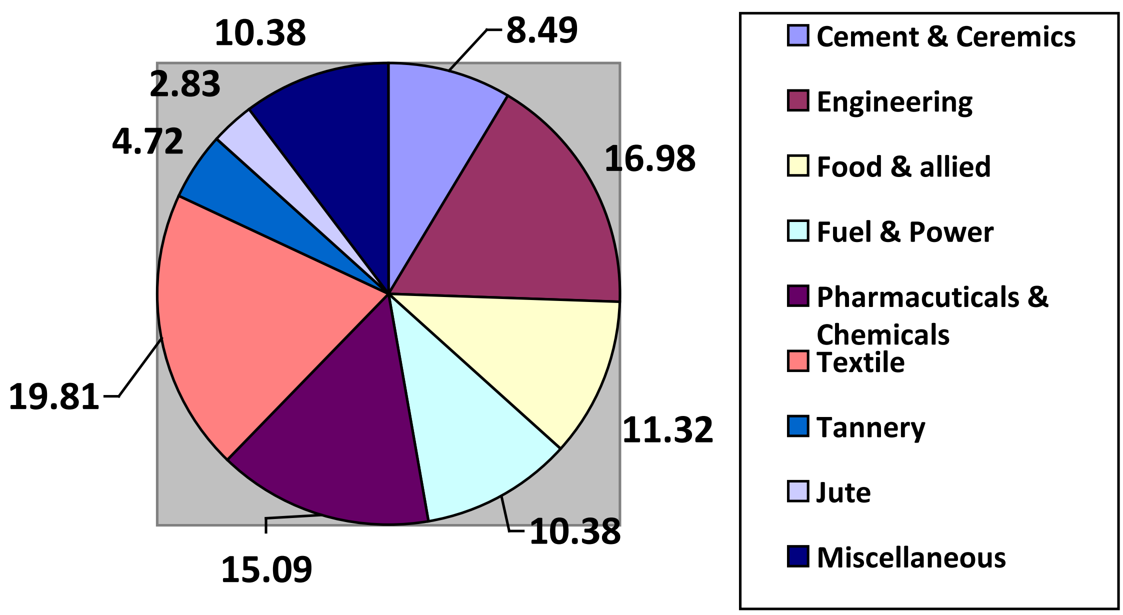
5.2.1.1 Sample selection and data collection

The sample for the study is taken from annual reports of companies listed on Dhaka Stock Exchange (DSE) and the companies are selected by judgmental sampling. Judgmental sampling is a form of convenience sampling in which the population elements are selected based on the judgment of the researcher. The criteria for selecting the sample firms are: (i) the company must be a firm (non-financial company), (ii) annual reports must be available on the Dhaka Stock Exchange and (iii) the firm must have been listed for the entire period of the study from 2007 to 2011. The total 106 companies fulfilled the above three criteria. The companies are mainly classified into two categories, financial and non-financial. At the end of 2007, 270 companies were listed on the Dhaka Stock Exchange. Out of 270 companies, 150 companies are non-financial and the others are financial. Among the 150 non-financial companies, annual reports of 44 companies are not available on DSE from the period of 2007 to 2011.The selected companies listed on the DSE are classified as cement & ceramics, engineering, food & allied, fuel & power, pharmaceuticals & chemicals, textile, tannery, Jute and miscellaneous. The annual reports of the sample companies are collected from the DSE seminar library. According to the classification of the non-financial companies, the distribution of the sample companies is given in Table-5.2.

Table-5.2: Distribution of sample by industry types

Industry Types	Population		Sample	
	Number	%	Number	%
Cement & Ceramics	12	8.00	9	8.49
Engineering	25	16.67	18	16.98
Food & Allied	18	12.00	12	11.32
Fuel & power	15	10.00	11	10.38
Pharmaceuticals & Chemicals	25	16.67	16	15.09
Textile	32	21.33	21	19.81
Tannery	5	3.33	5	4.72
Jute	3	2.00	3	2.83
Miscellaneous	15	10.00	11	10.38
Total	**150**	**100.00**	**106**	**100.00**

Sources: Dhaka Stock Exchange Library



Graph-5.1: Distribution of sample by industry types

5.2.1.2 The selection of index-weighted vs. un-weighted

Cooke (1989) mentions that there are two methods for determining the index of level of corporate disclosure namely, weighted and un-weighted. This is mainly because of the fact that not all the items mentioned in different disclosures are equally important. The relative importance of different items is different to different users. The un-weighted method indicates that all the items that can be disclosed are equally important. Moreover, Wallace (1988) finds that all disclosure items are equally important to average users. Although there are different levels of users of disclosure items, the market trying to cope with the changing world should consider all the mandatory items equally. If there is no provision in relevant laws regarding the relative importance, segregating is not possible. Un-weighted approach has some limitations such as giving nil score for an item to company which is not applicable for that company. However, the un-weighted approach has got superiority supported by the research works done by Chau and Gray (2002), Ho and Wong (2001), Owusu-Ansah (1998), Wallace and Naser (1995). That is why this research is also carried out by using un-weighted index.

5.2.1.3 Development of a voluntary disclosure index

Previous researches have examined the disclosure behavior of firms using a disclosure checklist. The disclosure checklist developed by Meek, Roberts and Gray (1995) was used to examine the voluntary disclosure of firms in developed countries. Chau and Gray (2002), and Ho and Wong (2001) have also used this disclosure checklist with some modifications to examine the voluntary disclosure of Hong Kong and Singapore firms. The level of voluntary disclosure of the sample firms in this study was measured by using a disclosure index that was developed in conformity with the disclosure checklist used by Akhtaruddin, (2009), Chau and Gray (2002), Ho and Wong (2001), and Ferguson, Lam and Lee (2002).

A total of 91 items were identified in compliance with voluntary disclosure items provided by listed firms in Bangladesh. These items were then compared with listing requirements for Dhaka stock exchange (DSE) and a mandatory disclosure checklist prepared by Akhtaruddin (2005) in Bangladesh. Since the focus of this research is voluntary disclosure, the preliminary list of 91 items was subjected to a thorough selection to eliminate those that are mandated. This list was sent to various experts (professor, professional chartered accountant & cost and management accountant etc.) for selection and as a result of their feedback, the initial list of 91 items was reduced to 68 items. The disclosure items are classified into thirteen categories: general corporate information, corporate strategic information, corporate governance information, financial information, financial review information, foreign currency information, segmental information, employee information, research & development information, future forecast information, share price information, social responsibility information and graphical information.(A list of the final 68 items is included in Appendix-1)

I employed an un-weighted approach for this study. This approach is the most appropriate one when no importance is given to any specific user-groups (Cooke, 1989; Hossain et al., 1995; Akhtaruddin, et al., 2009; Hossain and Hammami 2009). The items of information are numerically scored on a dichotomous basis. According to the un-weighted disclosure approach, a firm is scored "1" for an item disclosed in the annual report and "0" if it is not disclosed. The total voluntary disclosure index (TVDI) is then computed for each sample firm as a ratio of the total disclosure score to the maximum possible disclosure by the firm. The disclosure index for each firm is then expressed as a percentage.

One potential problem with this approach is that a firm may be penalized for not disclosing an item of information although there is no information to disclose on it. In order to overcome this problem, an information item was coded as "not applicable" when no similar information could be found in any part of the annual report. For firms having not applicable items, the use of a relative index is suggested (Owusu-Ansah, 1998).

The relative index approach is the ratio of what a firm actually disclosed to what the firm is expected to disclose (for example, if the maximum possible disclosure score for a firm is 64 and the firm did disclose 48 out of the 64 items in the annual report, then the TVDI is = 48/64 = 0.75). This approach has been used in several prior studies (Cooke, 1989; Wallace et al., 1994; Wallace & Naser, 1995; Owusu-Ansah, 1998; Ho & Wong, 2001; Chau & Gray, 2002; Akhtaruddin, et al.2009).

Typically, the level of voluntary disclosure depends largely on the items of information included in the disclosure checklist. Thus, the selection of information items is a very critical factor in the measurement of corporate disclosure. A disclosure checklist incorporates significant items of information that managers are expected to provide in corporate annual reports (CARs) in order to satisfy the information needs of different user-groups (Ho & Wong, 2001; Chau & Gray, 2002). The employment of the disclosure index approach is therefore considered to be effective to capture voluntary disclosures by the sample firms.

5.2.1.4 Data analysis

5.2.1.4.1 The descriptive statistics

This descriptive study produced mean, median, minimum, maximum and standard deviation for each variable for the analysis and interpretation of data by using statistical packages for social science (SPSS) 17.0 and statistical graphs, tables and charts have been used for data presentation.

5.2.1.4.2 The correlation of variables

This study shows how one variable is related to another. The results of this analysis represent the nature, direction and significance of the correlation of the variables used in this study and the correlation between variables is analyzed by using the Pearson correlation.

5.2.1.4.3 Model specification and multiple regression

The multiple regression method is used to examine the relationship between firm specific characteristics and corporate governance attributes with the level of corporate voluntary disclosure of listed non-financial companies of Bangladesh.

This method is used when independent variables are correlated with one another and with the dependent variable.

The results of regression analysis are taken by using the following equation that represents the best prediction of a dependent variable from several independent variables.

$$TVD_{ij,t} = \sum_{t-1}^{Nij} Xij$$

Where,

TVD = total voluntary disclosure score for j^{th} firm at the time t,

N_{ij} = i^{th} item for j^{th} firm

t = year

$$TVDE = a + \beta_1 TA + \beta_2 TS + \beta_3\ ROA + \beta_4\ ROS + \beta_5\ PFD + \beta_6\ PIND + \beta_7\ BLS + \beta_8\ BSZE + \beta_9\ PEOI + \varepsilon$$

Expected sign (+) (+) (+) (+) (+) (+) (+) (+) (-)

TVDE = Total voluntary disclosure score received from each company

TA = Total assets of a firm

TSE = Total Sales of a firm

ROA= Percentage of net profit after taxes to the total assets of a firm

ROS= Percentage of net profit after taxes to the total sales of a firm

PFD =Percentage of female directors to the total directors on a board

PIND =Percentage of independent directors to the total directors on board

BLS = Board leadership structure, 1 for duel or 0 non-dual

BSZE = Total number of members on each board

PEOI =Percentage of equity owned by the insiders to an all equity firm

a = total constant, and ε = the error term

In this model, all independent variables enter the regression equation at once to examine the relation between the whole set of predictors and the dependent variable.

5.2.2 Primary data

The responses of respondents have been collected through direct interview method by using a planned questionnaire. Identifying the perceptions of various groups of users about the importance of the selected items of voluntary information in the annual reports of listed non-financial companies through a questionnaire survey constitutes an important part of the study.

5.2.2.1 Selection of respondent group

Our survey covers a sample of 25 professional accountants, 25 accounting professors, 25 investors and 25 stockbrokers in Dhaka region, which have been selected using the judgmental sampling under non-probability sampling techniques. Judgmental sampling is a form of convenience sampling in which the population elements are selected based on the judgment of the researcher. Finally, we have got responses from respondents of 20 professional accountants, 22 accounting professors, 24 Investors and 23 stockbrokers

5.2.2.2 Preparation of questionnaire

We have prepared a questionnaire to collect opinion of the respondents about the voluntary of information disclosed in financial statements. The questionnaire used was divided into two parts, PART-A and PART-B. PART-A included questions representing the name, occupation, age, educational and professional qualifications of the respondent and PART-B consisted of questions concerning voluntary disclosure information. Questions numbered from 1 to 7 have been included in PART-A and questions numbered from 8 to 26 have been included in PART-B in the questionnaire (the questionnaire is included in Appendix-2)

5.2.2.3 Analysis of data

To measure the user's perception regarding the existing voluntary disclosure system that is followed by the concerned companies (objective No.4 of the study), various statistical tools- χ^2 test, mode, standard deviation have been used to analyze and interpret data by using a software named statistical packages for social science (SPSS) 17.0 and statistical tables have been used for data presentation.

5.3 Operational definitions of variables, expected signs and relationship in the regression

Table-5.3

Variables	Operational definition	Source of information	Expected sign and relationship
TVDI	Total voluntary disclosure index	Company annual reports	Index
β_1TA	Total assets represent the size of a firm.	Company annual reports	(+) TA are associated positively with the level of voluntary disclosure.
β_2TS	Total sales represent the size of a firm.	Company annual reports	(+) TS are associated positively with the level of voluntary disclosure.
β_3ROA	Percentage of net profit after taxes to the total assets of a firm	Company annual reports	(+) ROA is associated positively with the level of voluntary disclosure.
β_4ROS	Percentage of net profit after taxes to the total sales of a firm	Company annual reports	(+) ROS is associated positively with the level of voluntary disclosure.
β_5PFD	Percentage of female directors to the total number of directors on a board	Company annual reports	(+) PFD has a significant positive relationship with the level of voluntary disclosure
β_6PIND	Percentage of independent directors to the total number of directors on a board	Company annual reports	(+) PIND has a significant positive relationship with the level of voluntary disclosure
β_7BLS	Dichotomous, 1 or 0	Company annual reports	(+)BLS is positively related to the level of voluntary disclosure.

β_8BSZE	Total number of directors of a firm	Company annual reports	(+) BSZE has a significant positive relationship with the level of voluntary disclosure.
β_9PEOI	Percentage of equity owned by the insiders to an all equity firm	Company annual reports	(-) PEOI is associated negatively with the level of voluntary disclosure.

CHAPTER-6

Firm-Specific Characteristics, Corporate Governance and Voluntary Disclosures

CHAPTER-6

Firms' Specific Characteristics, Corporate Governance & Voluntary Disclosures

6. Introduction

Every company has its own views, structures, features, strength, work plans and strategies, which make it different from other companies in many ways. The characteristics of my sample companies and corporate governance attribute are not same; rather they are different in size, profitability, percentages of IND, board leadership structure, board size and ownership structures. Their market capitalization, profit earning ratio, age, earning per share are not equal. These deviations among the characteristics of my sample companies and corporate governance attribute may influence the level of corporate voluntary disclosure. The aim of this chapter is to examine the firm specific characteristics, corporate governance factors and their influence on voluntary disclosure in annual reports of listed non-financial companies in Bangladesh. These factors are firm size, profitability, percentage female directors, percentage independent directors, board leadership structure, board size and ownership structure.

The structure of this chapter is as follows Section 6.1 addresses voluntary disclosure index. Section 6.2 summarizes the top and lowest ranking companies in the level of disclosure. Section 6.3 discusses the disclosure levels by the sample companies in Bangladesh. Section 6.4 explains the descriptive statistics. Section 5.5 summarizes disclosure paired samples mean test. Section 6.6 describes the result of Pearson correlation analysis. Section 6.7 summarizes the result of regression analysis. Section 6.8 addresses the summary of the regression results. Finally, section 6.9 is concerned with the summary and conclusion of the chapter.

6.1 Voluntary disclosure index

Table-6.1: Items included in the voluntary disclosure index

Serial No.	Categories of disclosure	No. of items
1	General Corporate Information	5
2	Corporate Strategic Information	5
3	Corporate Governance/Directors Information	9
4	Financial Information	9
5	Financial Review Information	8
6	Foreign Currency Information	2
7	Segmental Information	4
8	Employee Information	7
9	Research and Development Information	2
10	Future Forecast Information	7
11	Share price Information	5
12	Social Responsibility Information	3
13	Graphic Information	2
	Total	**68**

Table-6.1 shows that 68 items of voluntary disclosure information were identified as relevant for disclosure in the annual reports of listed non-financial companies in Bangladesh. These 68 items were grouped to produce 13 categories, containing minimum 2 and maximum 9 items each.

6.2 Top and Lowest ranking companies

Table-6.2: Ranking of the companies based on the voluntary disclosure index

Ranking	2007	2008	2009	2010	2011
1	ACI Limited.	DESCO	Titas Gas Co. Ltd	Square Pharmaceuticals	ACI Limited.
2	The Ibn Sina	Square Pharmaceuticals	DESCO	ACI Limited.	Square Pharmaceuticals
3	Square Pharmaceuticals	ACI Limited.	Square Pharmaceutical	DESCO	Titas Gas Co. Ltd.
4	DESCO	The Ibn Sina	ACI Limited.	Titas Gas Co. Ltd.	DESCO
5	Titas Gas Co. Ltd.	Titas Gas Co. Ltd.	The Ibn Sina	Beximco Pharma	Kohinoor Chemical

6	Lafarge Surma Cement Ltd.	ACI Formulations	Beximco Pharma	ACI Formulations	Beximco Pharma
7	ACI Formulations	Beximco Pharma	ACI Formulations Limited	Beximco Synthetics	ACI Formulations
8	Beximco Pharma	Beximco Synthetics	Beximco Synthetics	Kohinoor Chemical	Beximco Synthetics
9	Beximco Synthetics	Kohinoor Chemical	Kohinoor Chemical	The Ibn Sina	PGCB
10	Kohinoor Chemical	PGCB	Apex Footwear	PGCB	The Ibn Sina
11	Keya cosmetics Ltd.	Lafarge Surma Cement Ltd.	PGCB	Apex Footwear	Apex Footwear
12	Apex Footwear	Keya cosmetics Ltd.	Lafarge Surma Cement Ltd.	Summit Power Limited	Summit Power Limited
13	PGCB	Apex Footwear	Summit Power Limited	BOC Bangladesh	BOC Bangladesh
14	Confidence Cement	Summit Power Limited	Confidence Cement	Confidence Cement	Keya cosmetics Ltd.
15	Rangpur Foundry	BOC Bangladesh	Rangpur Foundry	Lafarge Surma Cement Ltd.	Rangpur Foundry
16	Summit Power Limited	Rangpur Foundry	Keya cosmetics Ltd.	Rangpur Foundry	Lafarge Surma Cement Ltd.
17	BOC Bangladesh	Confidence Cement	BOC Bangladesh	Keya cosmetics Ltd.	Meghna Petroleum Limited
18	Bd Welding	Meghna Petroleum	Ambee Pharma	Meghna Petroleum	Ambee Pharma
19	Meghna Petroleum	Ambee Pharma	Meghna Petroleum Limited	Ambee Pharma	Confidence Cement
20	Ambee Pharma	Bd Welding	Square Textile	Jamunal Oil	Jamunal Oil
21	Square Textile	Square Textile	Singer Bangladeh	Square Textile	Square Textile
22	Aramit cement	Singer Bangladeh	Jamunal Oil	Bata Shoe	Bata Shoe
23	Kay and Que	Jamunal Oil	Aramit cement	Aramit cement	Aramit cement
24	National Tubes	Kay and Que	Kay and Que	Singer Bangladeh	Singer Bangladeh
25	Singer Bangladeh	National Tubes	National Tubes	Apex Tannery	Apex Tannery
26	Jamunal Oil	S. Alam Cold Rolled Steels Ltd.	Bd Welding	National Tubes	National Tubes
27	S. Alam Cold Rolled Steels	Apex Tannery	S. Alam Cold Rolled Steels	National Polyer	S. Alam Cold Rolled Steels
28	Apex Tannery	Eastern Housing	Apex Tannery	S. Alam Cold Rolled Steels	National Polyer
29	Eastern Housing	Aramit cement	Bata Shoe	Eastern Housing	Metro Spning
30	Meghna Cement	Meghna Cement	National Polyer	Kay and Que	Saiham textile Mills
31	National Polyer	National Polyer	Eastern Housing	Quasem Drycells	Eastern Housing
32	Sonargaon Textiles	Bata Shoe	Heidelberg Cement	Bd Welding	Heidelberg Cement
33	Bata Shoe	Heidelberg Cement	Meghna Cement	Padma Oil	Quasem Drycells
34	Heidelberg Cement Bd.	Quasem Drycells	Quasem Drycells	Saiham textile Mills Limited	Bd Welding
35	Bangladesh Thai	Eastern Cables	Eastern Cables	Heidelberg Cement	Eastern Cables

	Aluminium				
36	Quasem Drycells	Padma Oil	Padma Oil	Bangladesh Thai Aluminium	Padma Oil
37	Eastern Cables	Maksons Spinning Mills Limited	Maksons Spinning Mills Limited	Eastern Cables	Maksons Spinning Mills Limited
38	Maksons Spinning Mills Limited	Saiham textile Mills Limited	Saiham textile Mills Limited	Metro Spning	Daffodil com
39	Saiham textile Mills Limited	Sonargaon Textiles	Bangladesh Thai Aluminium	Maksons Spinning Mills Limited	Bangladesh Thai Aluminium
40	Padma Oil	Stylecraft Limited	Metro Spning	Stylecraft Limited	Kay and Que
41	Metro Spning	Bangladesh Thai Aluminium	Stylecraft Limited	Daffodil com	Stylecraft Limited
42	Stylecraft Limited	Metro Spning	Daffodil com	Meghna Cement	Esta Lubricant
43	Alima Yean Dyeing	Esta Lubricant	Libra Infusions	Esta Lubricant	Libra Infusions
44	Esta Lubricant	Daffodil com	Sonargaon Textiles	Libra Infusions	Sonargaon Textiles
45	Daffodil com	Anwar Galvanizing	Alima Yean Dyeing	Sonargaon Textiles	Samata Leather Complex Ltd.
46	Anwar Galvanizing	Alima Yean Dyeing	Esta Lubricant	Alima Yean Dyeing	Alima Yean Dyeing
47	Information Service	Libra Infusions	Anwar Galvanizing	Tallu Spinning	Meghna Cement
48	Aziz Pipes Ltd	Information Service	Information Service	Samata Leather Complex Ltd.	Tallu Spinning
49	Libra Infusions	Tallu Spinning	Tallu Spinning	BDCOM	BDCOM
50	Tallu Spinning	BDCOM	BDCOM	Information Service	Information Service
51	BDCOM	Aziz Pipes Ltd	Samata Leather Complex Ltd.	Anwar Galvanizing	BD Service
52	BD Service	Samata Leather Complex Ltd.	BD Service	BD Service	Reckitt & Benckiser
53	Samata Leather Complex Ltd.	BD Service	Aziz Pipes Ltd	Reckitt & Benckiser	Apex Spinning & Knitting Mills Ltd
54	Olympic Industrie	Olympic Industrie	Reckitt & Benckiser	Olympic Industrie	Anwar Galvanizing
55	Reckitt & Benckiser	Reckitt & Benckiser	Apex Spinning & Knitting Mills Ltd	Apex Spinning & Knitting Mills Ltd	Olympic Industrie
56	Apex Spinning & Knitting Mills Ltd	Apex Spinning & Knitting Mills Ltd	Olympic Industrie	Legacy Footwear	Legacy Footwear
57	Legacy Footwear	Legacy Footwear	Imam Button	H.R.Textile	H.R.Textile
58	Fine food	Fine food	Legacy Footwear	Fine food	Fine food
59	Imam Button	Imam Button	H.R.Textile	Aziz Pipes Ltd	Imam Button
60	H.R.Textile	H.R.Textile	Fine food	Imam Button	Pharma Aids
61	Beach Hatchary	Beach Hatchary	Glaxo SmithKline	Pharma Aids	Renata Ltd.
62	Samorta Hospital	Shinpukur Housing	Pharma Aids	Renata Ltd.	Aziz Pipes Ltd
63	Shinpukur Housing	BATBC	Beach Hatchary	Beach Hatchary	Glaxo SmithKline
64	Bangladesh Lamps	Glaxo SmithKline	Samorta Hospital	Shinpukur Housing	Delta Spinners

65	Eastern Cables	Pharma Aids	Shinpukur Housing	Eastern Cables	Beach Hatchary
66	Monno Jute Stafflers	Samorta Hospital	Bangladesh Lamps	Monno Jute Stafflers	Shinpukur Housing
67	BATBC	Bangladesh Lamps	Eastern Cables	BATBC	Bangladesh Lamps
68	Glaxo SmithKline	Eastern Cables	Monno Jute Stafflers	Fu Wang Food	Eastern Cables
69	Pharma Aids	Monno Jute Stafflers	BATBC	Glaxo SmithKline	Monno Jute Stafflers
70	Mithun Knitting	Renata Ltd.	Renata Ltd.	Samorta Hospital	BATBC
71	Bangladesh Autocare	Mithun Knitting	Mithun Knitting	Bangladesh Lamps	Fu Wang Food
72	Fu Wang Food	Safko Spining	Fu Wang Food	Delta Spinners	Mithun Knitting
73	Renata Ltd.	Fu Wang Food	Delta Spinners	Mithun Knitting	Samorta Hospital
74	CMC Kamal Textile	Delta Spinners	CMC Kamal Textile	Safko Spining	Prime Textile
75	Safko Spining	CMC Kamal Textile	Sonali Aansh	Sonali Aansh	CMC Kamal Textile
76	Sonali Aansh	Sonali Aansh	Golden Son Ltd.	Prime Textile	Safko Spining
77	Golden Son Ltd.	BD Autocare	Prime Textile	CMC Kamal Tex	Golden Son Ltd.
78	Delta Spinners	Golden Son Ltd.	Renwick Jajneswar	Golden Son Ltd.	Dulamia Cotton
79	Aftab Automobiles	Prime Textile	Dulamia Cotton	Renwick Jajneswar	Sonali Aansh
80	Renwick Jajneswar	Aftab Automobiles	Al-Haj Textile	Dulamia Cotton	BD Autocare
81	Prime Textile	Renwick Jajneswar	BD Hotel	Al-Haj Textile	Renwick Jajneswar
82	BD Hotel	Al-Haj Textile	BD Autocare	BD Hotel	Al-Haj Textile
83	Rahima Food	BD Hotel	Rahima Food	Aftab Automobiles	BD Hotel
84	Al-Haj Textile	Rahima Food	Safko Spining	BD Autocare	Rahima Food
85	Monno Ceramic	Dulamia Cotton	Aftab Automobiles	Rahima Food	Aftab Automobiles
86	Dulamia Cotton	Saiham textile	Saiham textile	Orion Infusion Ltd.	Orion Infusion Ltd.
87	Orion Infusion Ltd.	Monno Ceramic	Orion Infusion Ltd.	Rahim Textile	Rahim Textile
88	Desh Garments	Orion Infusion Ltd.	Fu-Wang Ceramic	Saiham textile	Saiham textile
89	Saiham textile	Desh Garments	Monno Ceramic	Fu-Wang Ceramic	Desh Garments
90	Fu-Wang Ceramic	Fu-Wang Ceramic	Rahim Textile	Desh Garments	Northan Jute
91	Northan Jute	Rahim Textile	Desh Garments	Northan Jute	Apex Foods
92	Standard Ceramic	Northan Jute	Northan Jute	Monno Ceramic	Fu-Wang Ceramic
93	Apex Foods	Standard Ceramic	Apex Foods	Apex Foods	Monno Ceramic
94	Rahim Textile	Apex Foods	GQ Ball Pen	GQ Ball Pen	National Tea
95	GQ Ball Pen	GQ Ball Pen	Jute spinner	Shinepukur Ceram	CVO
96	Shinepukur Ceramics	AMCL (Pran)	Shinepukur Ceram	Bangas Ltd	Jute spinner
97	AMCL (Pran)	CVO	Standard Ceramic	National Tea	GQ Ball Pen
98	Jute spinner	Jute spinner	Bangas Ltd	CVO	Shinepukur Ceram.
99	National Tea	Shinepukur Ceramics	National Tea	Jute spinner	Bangas Ltd

100	Modern Dyeing	Bangas Ltd	Modern Dyeing	Standard Ceramic	Modern Dyeing
101	CVO	Zeal Bangla Sugar	CVO	Zeal Bangla Sugar	Standard Ceramic
102	Sava Refractories	Modern Dyeing	Sava Refractories	Modern Dyeing	Zeal Bangla Sugar Mills Ltd.
103	Bangas Ltd	Sava Refractories	AMCL (Pran)	Sava Refractories	Hakkani Paper
104	Zeal Bangla Sugar Mills Ltd.	Hakkani Paper	Gemini Sea Food	Hakkani Paper	Sava Refractories
105	Hakkani Paper	Gemini Sea Food	Hakkani Paper	Gemini Sea Food	AMCL (Pran)
106	Gemini Sea Food	National Tea	Zeal Bangla Sugar Mills Ltd.	AMCL (Pran)	Gemini Sea Food

The sample companies were ranked on the basis of the value of the disclosure for each of the companies. **Table-6.2** shows the top and bottom-ranked companies by the size of the disclosure index from 2007 to 2011. Further, the table provides insights about the industries which are disclosing more voluntary disclosure of information in the corporate annual reports.

Table-6.2 indicates that the highest disclosure index of the listed non-financial companies in Bangladesh was obtained by Dhaka Electric Supply Comany followed by the ACI Limited, Square Pharma Ltd., Titas Gas Ltd., Beximco Pharma, Kohinoor Chemical, Beximco Synthetics, ACI Formulations, Summit Power Limited. Further, when these companies were classified into industrial categories, it was found that first four of them came from the "Fuel & Power" and "Pharmaceuticals & Chemicals" categories.

The lowest ranked listed companies in Bangladesh using the un-weighted disclosure index were Gemini Sea Food , National Tea, AMCL (Pran), Zeal Bangla Sugar, Bangas Ltd. and Sava Refractories. Again four of these lowest ranked Bangladeshi companies are from the "Food & Allied" industrial category.

6.3 Disclosure levels by the sample companies in Bangladesh

This section focuses on the measurement and analysis of the extent of voluntary disclosure in corporate annual reports. Tables numbered from -6.3 to Table-6.16 contain the average data of dispersion of disclosure scores (range as given by the differences between minimum and maximum scores) from the year 2007 to 2011.

Table -6.3: Voluntary disclosure score: All information of voluntary disclosure

Disclosure Score (%)	No. of Companies, N=106
<=20	2(1.89%)
21-30	9(8.49%)
31-40	20(18.87%)
41-50	40(37.74%)
51-60	16(15.09%)
61-70	12(11.32%)
71-80	5(4.72%)
>80	2(1.89%)

Graph-6.1: Voluntary disclosure score: All information of voluntary disclosure

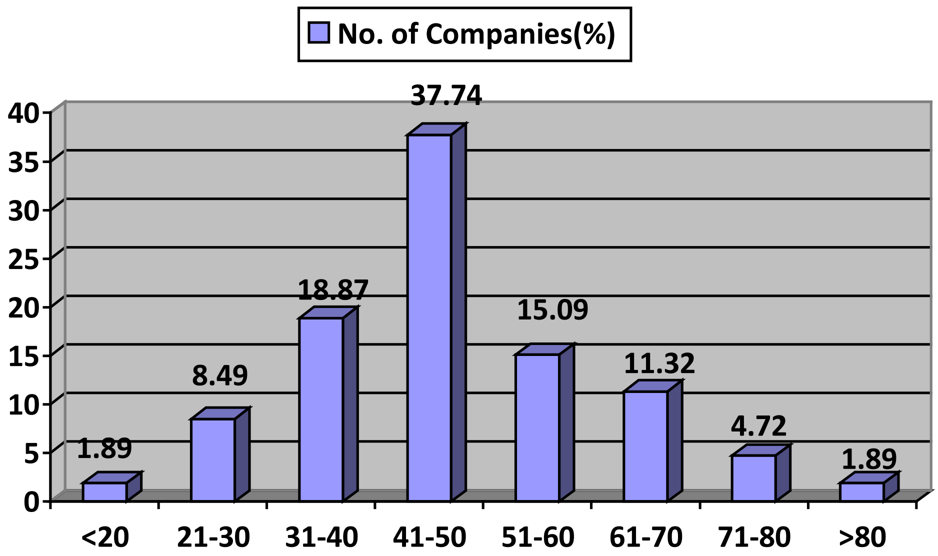


Table-6.3 and graph-6.1 show the numbers and percentages of companies under study whose disclosure scores are within the specified range. In the study, 1.89% companies in their corporate annual reports disclose voluntary information less than 20 %; 8.49% of the companies disclose voluntary information in the range of 21-30 %; 18.87% of the companies disclose voluntary information in the range of 31-40 %; 37.74% of the companies disclose voluntary information in the range of 41-50 %; 15.09% of the companies disclose voluntary information in the range of 51-60 %; 11.32% of the companies disclose voluntary information in the range of 61-70 %; 4.72% of the companies disclose voluntary information in the range of 71-80 % and only 1.89% company discloses more than 80% of voluntary information. The distribution shows a skew towards relatively medium level of the voluntary disclosure for the sample companies in Bangladesh.

Table-6.4: Voluntary disclosure score: General corporate information

Disclosure Score (%)	No. of Companies, N=106
< = 20	1(0.94%)
21-30	3(2.83%)
31-40	33(31.13%)
41-50	38(35.85%)
51-60	20(18.87%)
61-70	6(5.66%)
71-80	3(2.83%)
>80	2(1.89%)

Graph-6.2: Voluntary disclosure Score: General corporate information

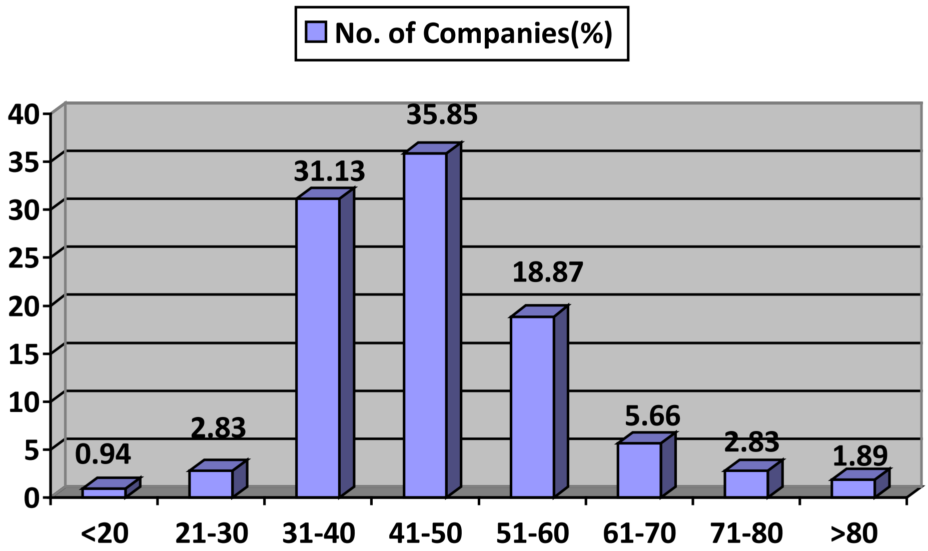


Table-6.4 and graph-6.2 show the numbers and percentages of companies under study whose disclosure scores fall within the category of corporate general information, i.e. 31.13% of the companies disclose corporate information in the range of 31-40 %; 35.85% companies disclose in the range of 41-50 %; 18.87% companies disclose in the range of 51-60 % and 5.66% companies disclose in the range of 61-70 %. In aggregate, the voluntary disclosure of general corporate information is medium.

Table-6.5: Voluntary disclosure score: Corporate strategic information

Disclosure Score (%)	No. of Companies, N=106
< = 20	14(13.21%)
21-30	19(17.92%)
31-40	25(23.58%)
41-50	38(35.85%)
51-60	7(6.60%)
61-70	3(2.83%)
71-80	0(0.0%)
>80	0(0.0%)

Graph-6.3: Voluntary disclosure score: Corporate strategic information

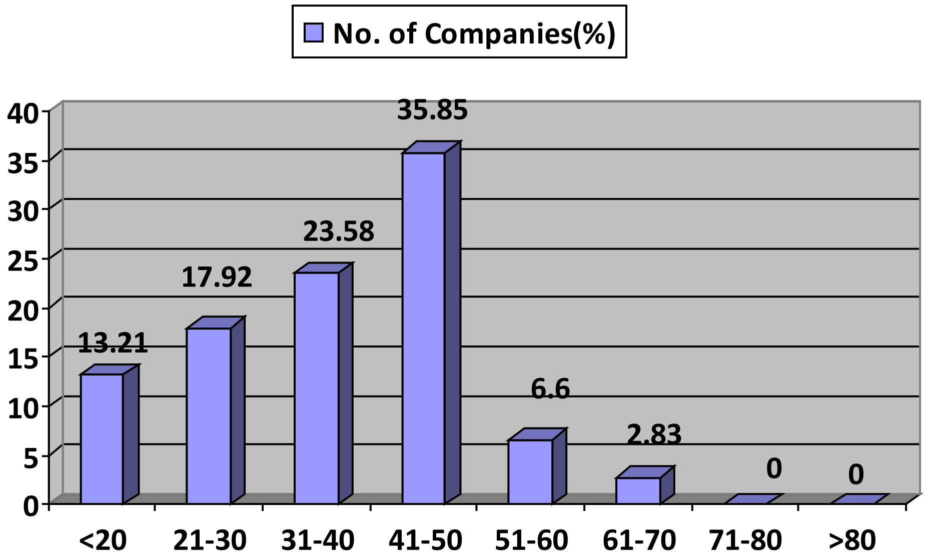


Table-6.5 and graph-6.3 show the numbers and percentages of companies under study whose disclosure scores are within the specified range. In the study, 35.85% companies disclose corporate strategic information in the range of 41-50%; 23.58% companies disclose corporate strategic information in the range of 31-40%; 17.92% companies disclose in the range of 21-30%; 13.21% companies disclose less than 20% information and few companies disclose more than 60% corporate strategic information in their annual reports of listed companies in Bangladesh. Overall, the voluntary disclosure of corporate strategic information is low.

Table-6.6: Voluntary disclosure score: Corporate governance information

Disclosure Score (%)	No. of Companies, N=106
< = 20	3(2.83%)
21-30	11(10.38%)
31-40	26(24.53%)
41-50	32(30.19%)
51-60	18(16.98%)
61-70	10(9.43%)
71-80	4(3.77%)
>80	2(1.89%)

Graph-6.4: Voluntary disclosure score: Corporate governance information

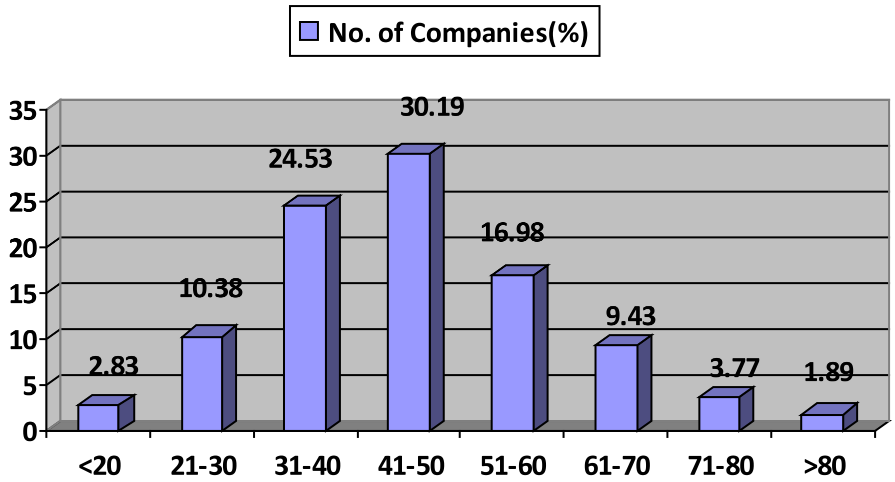


Table-6.6 and graph-6.4 show the numbers and percentages of companies under study whose disclosure scores are within the specified range. In the study, 2.83% companies disclose corporate governance information less than of 20%; 10.38% companies disclosure in the range of 21-30%; 24.53% companies disclose corporate governance information in the range of 31-40%; 30.19% companies disclose corporate governance information in the range of 41-50%; 16.98% companies disclose corporate governance information in the range of 51-60%; 9.43% companies disclose corporate governance information in the range of 61-70% and 5.56% companies disclose more than 70% corporate governance information in their annual reports. In aggregate, the voluntary disclosure of corporate governance information is medium.

Table-6.7: Voluntary disclosure score: Financial information

Disclosure Score (%)	No. of Companies, N=106
< = 20	1(0.94%)
21-30	7(6.60%)
31-40	25(23.58%)
41-50	31(29.25%)
51-60	26(24.53%)
61-70	8(7.55%)
71-80	7(6.60%)
>80	1(0.94%)

Graph-6.5: Voluntary disclosure score: Financial information

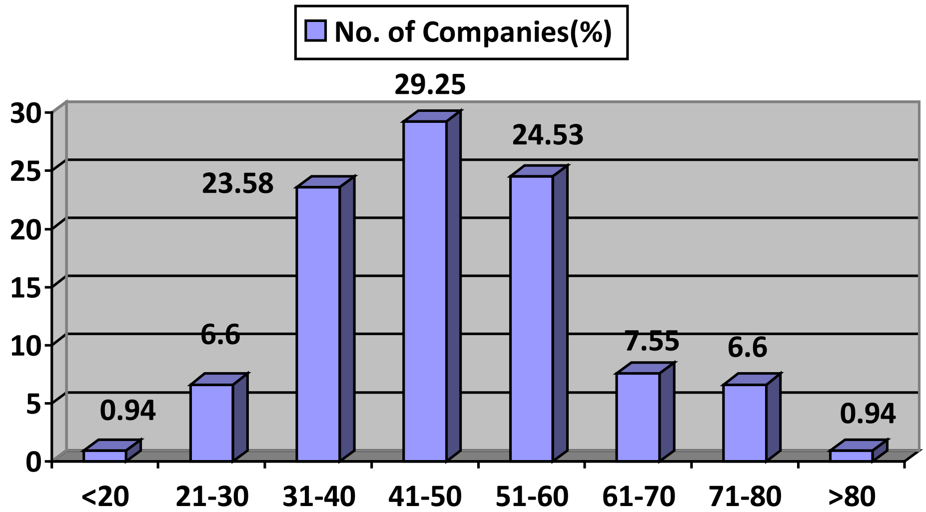


Table-6.7 and graph-6.5 show the numbers and percentages of companies under study whose disclosure scores are within the specified range. In the study, 6.6%, 23.58%, 29.25% and 24.53% listed non-financial companies disclose financial information in their annual reports in the range of 21-30%, 31-40%, 41-50% and 51-60% respectively. Very few companies disclose financial information more than 61%. As a whole, the voluntary disclosure of financial information is lower medium.

Table-6.8: Voluntary disclosure score: Financial review information

Disclosure Score (%)	No. of Companies, N=106
< = 20	0(0.0%)
21-30	2(1.89%)
31-40	21(19.81%)
41-50	31(29.25%)
51-60	35(33.02%)
61-70	17(16.04%)
71-80	0(0.0%)
>80	0(0.0%)

Graph-6.6: Voluntary disclosure score: Financial review information

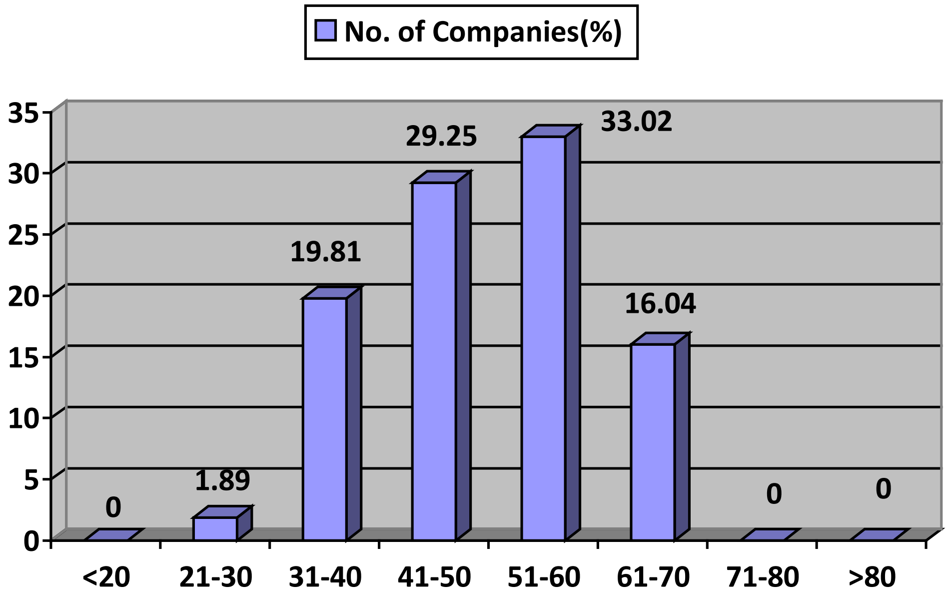


Table-6.8 and graph-6.6 show the numbers and percentages of companies under study whose disclosure scores are within the specified range. In the study, 19.81%, 29.25%, 33.02% and 16.04% companies disclose financial review information in their annual reports in the range of 31-40%, 41-50%, 51-60% and 61-70% respectively. No company is found in the disclosure scores of 71% and above. In aggregate, the voluntary disclosure of financial review information is medium.

Table-6.9: Voluntary disclosure score: Foreign currency information

Disclosure Score (%)	No. of Companies, N=106
< = 20	4(3.77%)
21-30	9(8.49%)
31-40	13(12.26%)
41-50	43(40.57%)
51-60	27(25.47%)
61-70	7(6.60%)
71-80	3(2.83%)
>80	0(0.0%)

Graph-6.7: Voluntary disclosure score: Foreign currency information

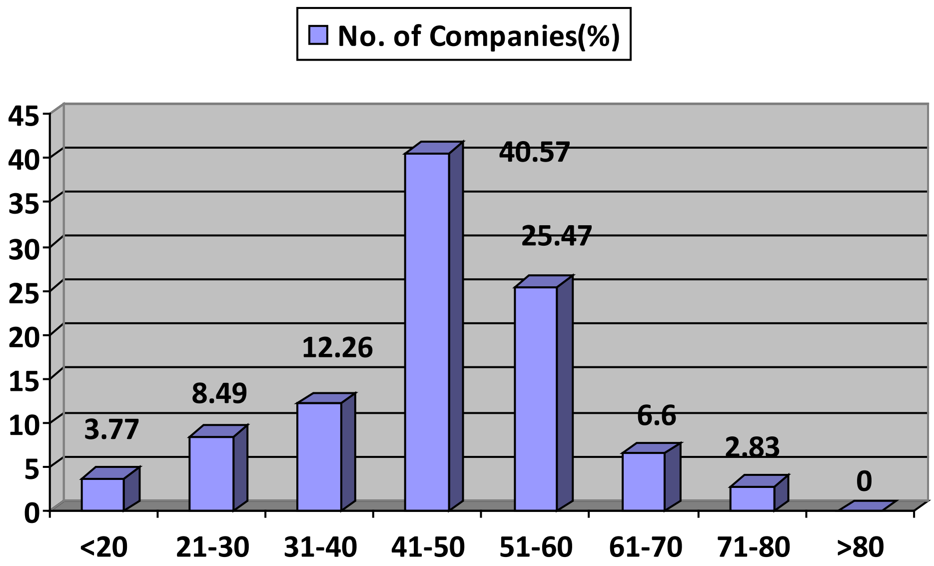


Table-6.9 and graph-6.7 show the numbers and percentages of companies under study whose disclosure scores are within the specified range. 3.77% of companies in their corporate annual reports disclose foreign currency information less than 20%. In the study, 8.49%, 12.26%, 40.57% and 25.47% companies disclose foreign currency information in their annual reports in the range of 21-30 %, 31-40%, 41-50 % and 51-60% respectively and rest of 9.43% companies disclose more than 60% of foreign currency information. In aggregate, the voluntary disclosure of foreign currency information is lower medium.

Table-6.10: Voluntary disclosure score: Segmental information

Disclosure Score (%)	No. of Companies, N=106
< = 20	21(19.81%)
21-30	49(46.23%)
31-40	35(33.02%)
41-50	1(0.94%)
51-60	0(0.0%)
61-70	0(0.0%)
71-80	0(0.0%)
>80	0(0.0%)

Graph-6.8: Voluntary disclosure score: Segmental information

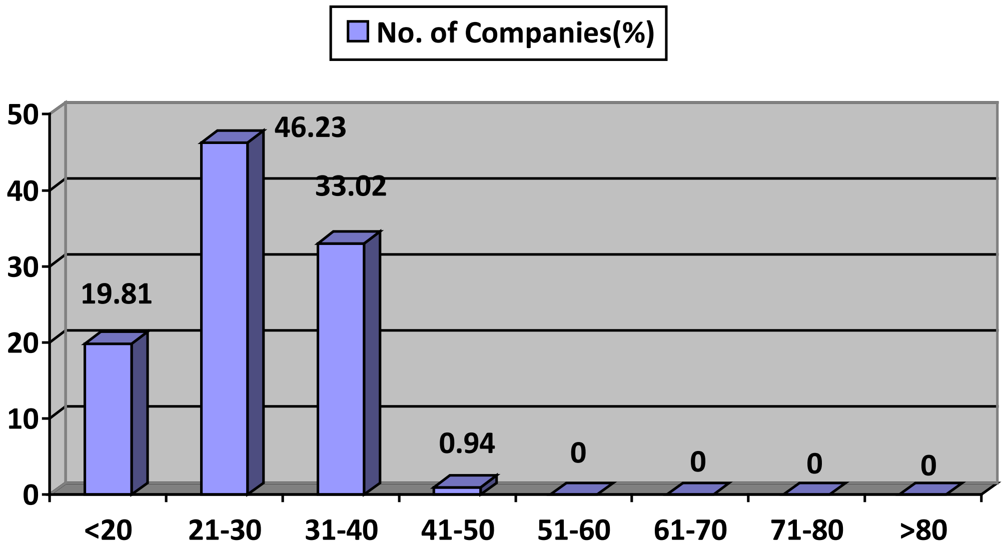


Table-6.10 and graph-6.8 show the numbers and percentages of companies under study whose disclosure scores are within the specified range. In the study 19.81% of the companies in their corporate annual reports disclose segmental information less than 20%; 46.23% companies disclose segmental information in their corporate annual reports in the range of 21-30 % and 33.02% companies disclose in their corporate annual reports in the range of 31-40 % segmental information. However, no company falls in the disclosure level of 51% and above. In aggregate, the voluntary disclosure of segmental information is very low.

Table-6.11: Voluntary disclosure score: Employee information

Disclosure Score (%)	No. of Companies, N=106
< = 20	4(3.77%)
21-30	18(16.98%)
31-40	12(11.32%)
41-50	37(34.91%)
51-60	20(18.87%)
61-70	8(7.55%)
71-80	5(4.72%)
>80	2(1.89%)

Graph-6.9: Voluntary disclosure score: Employee information

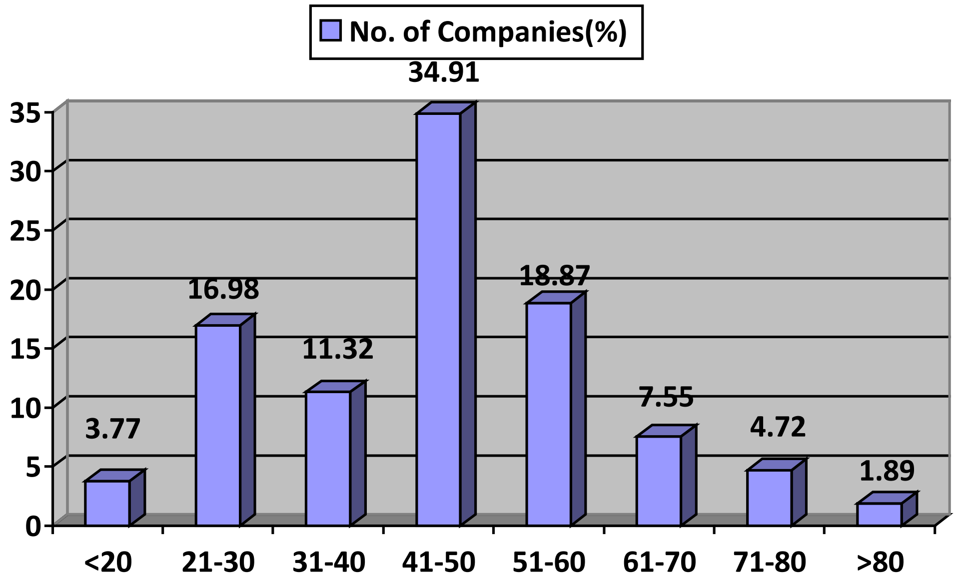


Table-6.11 and graph-6.9 show the numbers and percentages of companies whose disclosure scores are within the specified range. 20% of the companies in their corporate annual reports disclose employee information below 30%. In the study, 11.32%, 34.91%, 18.87%, 7.55% and 4.72% of the companies in their corporate annual reports disclose employee information in the range of 31-40%, 41-50%, 51-60 %, 61-70% and 71-80% respectively. In aggregate, the voluntary disclosure of employee information is medium.

Table-6.12: Voluntary disclosure score: Research and development information

Disclosure Score (%)	No. of Companies, N=106
< = 20	48(45.28%)
21-30	30(28.30%)
31-40	18(16.98%)
41-50	10(9.43%)
51-60	0(0.0%)
61-70	0(0.0%)
71-80	0(0.0%)
>80	0(0.0%)

Graph-6.10: Voluntary disclosure score: Research and development information

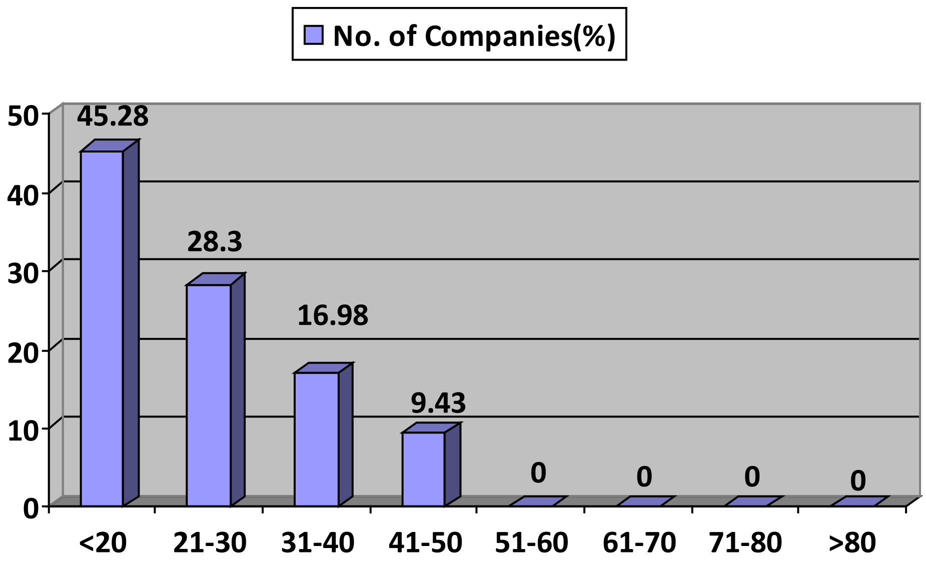


Table-6.12 and graph-6.10 show the numbers and percentages of companies whose disclosure scores are within the specified range. In the study, 45.28% of the companies in their corporate annual reports disclose research and development information 20% and less. 28.3% and16.98% companies disclose research and development information in their corporate annual reports in the range of 21-30% and 31-40% respectively. No company falls in the disclosure level of 51% and above. In aggregate, the voluntary disclosure of research and development information is low.

Table-6.13: Voluntary disclosure score: Future forecast information

Disclosure Score (%)	No. of Companies, N=106
< = 20	4(3.77%)
21-30	8(7.55%)
31-40	30(28.30%)
41-50	27(25.47%)
51-60	31(29.25%)
61-70	6(5.66%)
71-80	0(0.0%)
>80	0(0.0%)

Graph-6.11: Voluntary disclosure score: Future forecast information

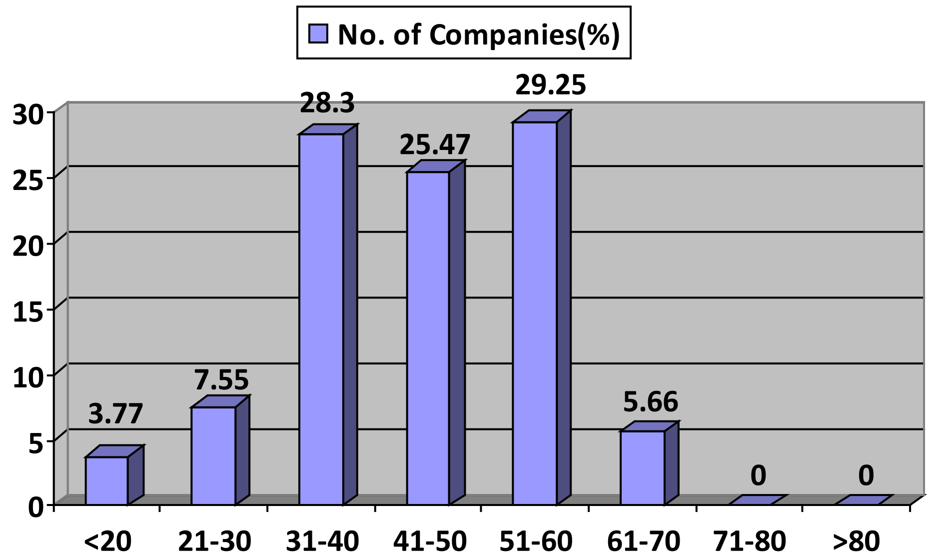


Table-6.13 and graph-6.11 show the numbers and percentages of companies whose disclosure scores are within the specified range. In the study, 28.3% of the companies disclose in their corporate annual reports future forecast information in the range of 31-40 %; 25.47% of the companies disclose in their corporate annual reports future forecast information in the range of 41-50% and 29.25% companies disclose in their corporate annual reports future forecast information in the range of 51-60%. In aggregate, the voluntary disclosure of future forecast information is medium.

Table-6.14: Voluntary disclosure score: Share price information

Disclosure Score (%)	No. of Companies, N=106
< = 20	0(0.0%)
21-30	0(0.0%)
31-40	12(11.32%)
41-50	20(18.87%)
51-60	15(14.15%)
61-70	18(16.98%)
71-80	29(27.36%)
>80	12(11.32%)

Graph-6.12: Voluntary disclosure score: Share price information

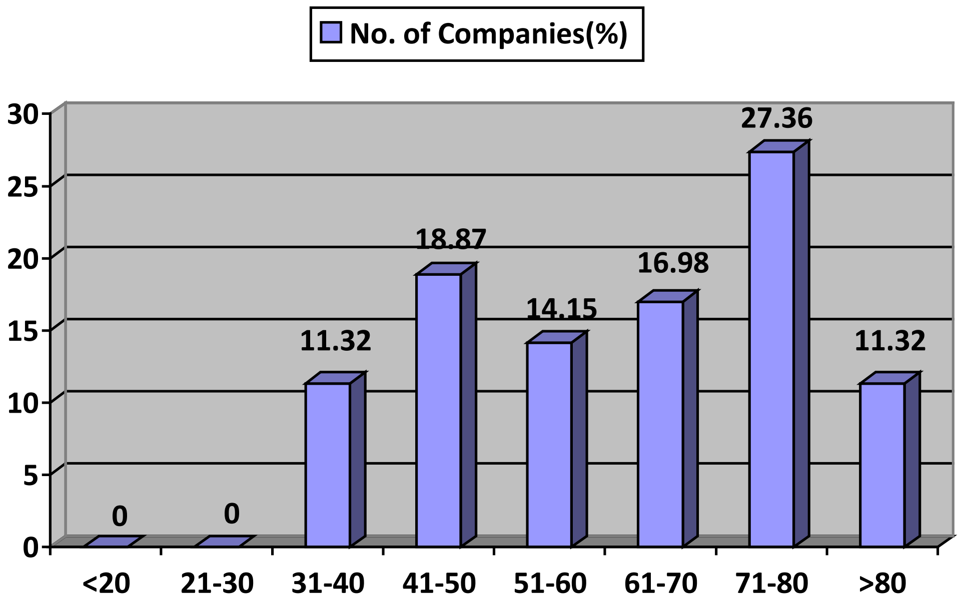


Table-6.14 and graph-6.12 show the numbers and percentages of companies whose disclosure scores are within the specified range. In the study, 11.32%, 18.87%, 14.15% 16.98% and 27.36% of the companies disclose share price information in their corporate annual reports in the range of 31-40%, 41-50%, 51-60%, 61-70% and 71-80% respectively. Again, 11.32% companies disclose share price information more than of 80% in their annual reports. In aggregate, the voluntary disclosure of share price information is quite high.

Table-6.15: Voluntary disclosure score: Social responsibility information

Disclosure Score (%)	No. of Companies, N=106
< = 20	0(0.0%)
21-30	10(9.43%)
31-40	18(16.98%)
41-50	25(23.58%)
51-60	28(26.42%)
61-70	15(14.15%)
71-80	10(9.43%)
>80	0(0.0%)

Graph-6.13: Voluntary disclosure Score: Social responsibility information

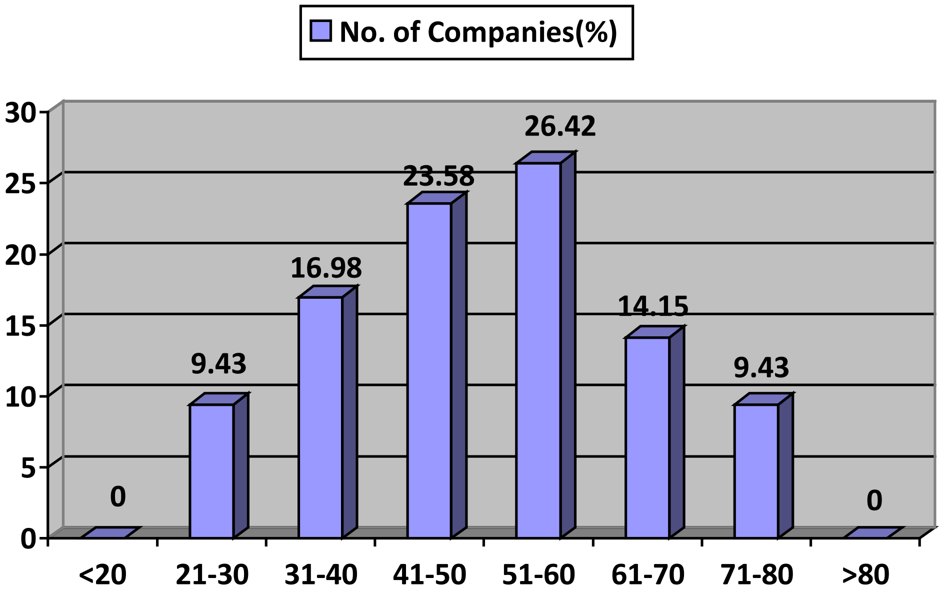


Table-6.15 and graph-6.13 show the numbers and percentages of companies under study whose disclosure scores is within the specified range. In the study, 9.43%, 16.98%, 23.58%, 26.42% and 14.15% companies disclose social responsibility information in their corporate annual reports in the range of 21-30%, 31-40%, 41-50%, 51-60% and 61-70% respectively. Farther, 9.43% companies disclose social responsibility information in the range of 71-80%. In aggregate, the voluntary disclosure of social responsibility information is medium.

Table-6.16: Voluntary disclosure score: Graphical information

Disclosure Score (%)	No. of Companies, N=106
< = 20	0(0.0%)
21-30	0(0.0%)
31-40	0(0.0%)
41-50	0(0.0%)
51-60	11(10.38%)
61-70	28(26.42%)
71-80	26(24.53%)
>80	41(38.68%)

Graph- 6.14: Voluntary disclosure score: Graphical information

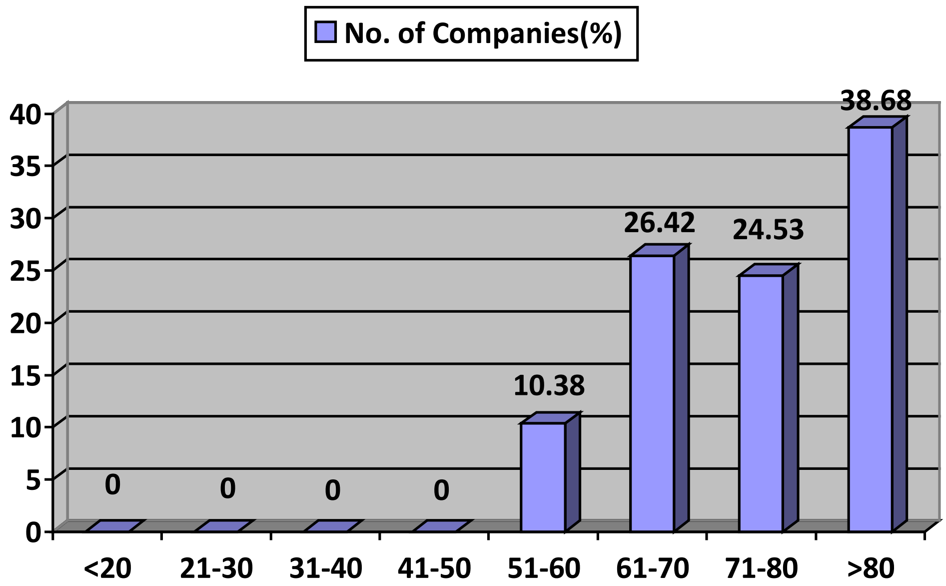


Table-6.16 and graph-6.14 show the numbers and percentages of companies whose disclosure scores are within the specified range. In the study, 10.38%, 26.42% and 24.53% companies disclose graphical information in their corporate annual reports in the range of 51-60%, 61-70% and 71-80% respectively. Again, 38.68% companies disclose graphical information in their annual reports more than of 80%. In aggregate, the voluntary disclosure of future forecast information is high.

6.4 Descriptive statistics

Table-6.17: Descriptive Statistics for 2007

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure (%)	106	17.65	70.59	41.13	13.68
TA (Lakh)	106	30.29	478353.00	26932.97	73439.00
TS (Lakh)	106	14.14	5047618.00	27065.45	491600.43
ROA (%)	106	0.06	34.33	5.58	6.36
ROS (%)	106	0.13	46.01	8.49	10.04
PFD (%)	106	0.00	50.00	12.27	14.09
PIND (%)	106	0.00	25.00	10.25	7.01
BLS	106	0.00	1.00	0.61	0.48
BSZE	106	4.00	13.00	7.13	1.70
PEOI (%)	106	5.00	88.21	41.86	18.093

* TA= Total Assets; TS = Total Sales; ROA= Return on Assets; ROS= Return on Sales, PFD= Percentage of Female Directors; PIND = Percentage of Independent Directors; BLS = Board Leadership Structure; BSZE = Board Size; PEOI =Percentage of equity owned by the insiders to all equity of the firm.

Table–6.17 presents descriptive statistics for 2007. The results from the disclosure index indicate that the level of average voluntary disclosure in the sample companies is 41.13%. The highest score achieved by a firm is 70.59% and the lowest score is 17.65% with a standard deviation of 13.68%. It seems that the firms are widely distributed with regard to voluntary disclosure. The average firm size is (Taka Bangladeshi) Tk.26932.97 lakh and Tk.27065.45 lakh respectively in terms of total assets (TA) and total sales (TS). The average percentage of return on assets (ROA) and return on sales (ROS) are 5.58 and 8.49 respectively with a standard deviation is 6.36 and 10.04. The average percentage of female directors to the total directors on board is 12.27 with a standard deviation of 14.09. The mean of the proportion of independent directors (PIND) to the total directors on board is 10.25% with a standard deviation of 7.01%. The average board leadership structure (BLS) is 0.61 with a standard deviation of 0.48. The average board size (BSZE) is 7.13 with minimum and maximum sizes of 4 and 13 respectively. The percentage of equity owned by the insiders to all equity of the firm is 41.46 with a standard deviation of 18.093.

Table-6.18: Descriptive Statistics for 2008

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure (%)	106	19.12	70.59	41.87	13.85
TA (Lakh)	106	31.540	546508.11	29634.73	80727.73
TS (Lakh)	106	18.34	454141.87	18323.74	61818.55
ROA (%)	106	0.09	23.43	5.84	5.80
ROS (%)	106	0.15	62.00	9.16	10.64
PFD (%)	106	0.00	50.00	12.37	14.18
PIND (%)	106	0.00	25.00	10.28	6.84
BLS	106	0.00	1.00	0.62	0.487
BSZE	106	4.00	13.00	7.19	1.69
PEOI (%)	106	5.30	88.21	42.16	18.33

* TA= Total Assets; TS = Total Sales; ROA= Return on Assets; ROS= Return on Sales, PFD= Percentage of Female Directors; PIND = Percentage of Independent Directors; BLS = Board Leadership Structure; BSZE = Board Size; PEOI =Percentage of equity owned by the insiders to all equity of the firm.

Table–6.18 presents descriptive statistics for 2008. The results from the disclosure index indicate that the level of average voluntary disclosure in the sample companies is 41.87%. The highest score achieved by a firm is 70.59% and the lowest score is 19.12% with a standard deviation of 13.85%. The firms are widely distributed with regard to voluntary disclosure. The average firm size is (Taka Bangladeshi) Tk.29634.73 lakh and Tk.18323.74 lakh respectively in terms of total assets (TA) and total sales (TS). The percentage of return on assets (ROA) and return on sales (ROS) are 5.84 and 9.16 respectively with the standard deviation of 5.80 and 10.64. The average percentage of female directors to the total directors on board is 12.37 with a standard deviation of 14.18. The mean of the proportion of independent directors (PIND) to the directors on the board is 10.28% with a standard deviation of 6.84%. The average board leadership structure (BLS) is 0.62 with a standard deviation of 0.487. The average board size (BSZE) is 7.19 with minimum and maximum sizes of 4 and 13 respectively. The percentage of equity owned by the insiders to all equity of the firm is 42.16 with a standard deviation of 18.33.

Table-6.19: Descriptive Statistics for 2009

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure (%)	106	17.65	72.06	42.77	14.08
TA (Lakh)	106	32.59	1232512.43	42829.21	146175.32
TS (Lakh)	106	19.61	550746.50	20703.96	74159.68
ROA (%)	106	0.03	42.98	6.11	7.26
ROS (%)	106	0.10	236.94	12.26	15.49
PFD (%)	106	0.00	60.00	13.05	15.24
PIND (%)	106	0.00	25.00	10.87	6.51
BLS	106	0.00	1.00	0.68	0.46
BSZE	106	4.00	13.00	7.37	1.69
PEOI (%)	106	3.00	87.29	40.89	18.71

* TA= Total Assets; TS = Total Sales; ROA= Return on Assets; ROS= Return on Sales, PFD= Percentage of Female Directors; PIND = Percentage of Independent Directors; BLS = Board Leadership Structure; BSZE = Board Size; PEOI =Percentage of equity owned by the insiders to all equity of the firm.

Table–6.19 presents descriptive statistics for 2009. The results from the disclosure index indicate that the level of average voluntary disclosure in the sample companies is 42.77%. The highest score achieved by a firm is 72.06% and the lowest score is 17.65% with a standard deviation of 14.08%. The firms are widely distributed with regard to voluntary disclosure. The average firm size is (Taka Bangladeshi) Tk.42849.21 lakh and Tk.20703.96 lakh respectively in terms of total assets (TA) and total sales (TS). The percentage of return on assets (ROA) and return on sales (ROS) are 6.11 and 12.26 respectively with a standard deviation of 7.26 and 15.49.014. The average percentage of female directors to the total directors on board is 13.05 with a standard deviation of 15.24. The mean of the proportion of independent directors (PIND) to the directors on the board is 10.87% with a standard deviation of 6.51%. The average board leadership structure (BLS) is 0.68 with a standard deviation of 0.56 .The average board size (BSZE) is 7.37 with minimum and maximum sizes of 4 and 13 respectively. The percentage of equity owned by the insiders to all equity of the firm is 40.89 with a standard deviation of 18.71.

Table-6.20: Descriptive Statistics for 2010

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure (%)	106	19.12	73.53	43.79	14.01
TA (Lakh)	106	33.49	662166.00	36684.61	100572.54
TS (Lakh)	106	21.38	699865.03	24359.43	92143.80
ROA (%)	106	0.08	42.45	6.93	7.77
ROS (%)	106	0.12	117.70	11.93	17.15
PFD (%)	106	0.00	60.00	13.05	15.23
PIND (%)	106	0.00	20.00	10.65	6.20
BLS	106	0.00	1.00	0.68	0.46
BSZE	106	4.00	13.00	7.51	1.77
PEOI (%)	106	1.32	86.00	39.63	18.63

* TA= Total Assets; TS = Total Sales; ROA= Return on Assets; ROS= Return on Sales, PFD= Percentage of Female Directors; PIND = Percentage of Independent Directors; BLS = Board Leadership Structure; BSZE = Board Size; PEOI =Percentage of equity owned by the insiders to all equity of the firm.

Table-6.20 presents descriptive statistics for 2010. The results from the disclosure index indicate that the level of average voluntary disclosure in the sample companies is 43.79%. The highest score achieved by a firm is 73.53% and the lowest score is 19.12% with a standard deviation of 14.01%. The firms are widely distributed with regard to voluntary disclosure. The average firm size is (Taka Bangladeshi) Tk.36684.61 lakh and Tk.24359.43 lakh respectively in terms of total assets (TA) and total sales (TSE). The average percentage of return on assets (ROA) and return on sales (ROS) are 6.93 and 11.93 respectively with a standard deviation of 7.77 and 17.15. The average Percentage of female directors to the total directors on board is 13.05 with a standard deviation of 15.23. The mean of the proportion of independent directors (PIND) to the directors on the board is 10.65% with a standard deviation of 6.20 %. The average board leadership structure (BLS) is 0.68 with a standard deviation of 0.46 .The average board size (BSZE) is 7.51 with minimum and maximum sizes of 4 and 13 respectively. The percentage of equity owned by the insiders to all equity of the firm is 39.63 with a standard deviation of 18.63.

Table-6.21: Descriptive Statistics for 2011

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure (%)	106	17.65	75.00	44.68	14.34
TA (Lakh)	106	35.79	745037.30	43211.40	118431.94
TS (Lakh)	106	22.34	753573.15	27717.77	98927.28
ROA (%)	106	0.09	40.39	6.70	7.41
ROS (%)	106	0.09	107.25	11.05	17.13
PFD (%)	106	0.00	60.00	13.05	15.23
PIND (%)	106	0.00	20.00	10.76	6.08
BLS	106	0.00	1.00	0.69	0.46
BSZE	106	4.00	13.00	7.57	1.75
PEOI (%)	106	1.32	87.08	39.83	18.73

* TA= Total Assets; TS = Total Sales; ROA= Return on Assets; ROS= Return on Sales, PFD= Percentage of Female Directors; PIND = Percentage of Independent Directors; BLS = Board Leadership Structure; BSZE = Board Size; PEOI =Percentage of equity owned by the insiders to all equity of the firm.

Table-6.21 presents descriptive statistics for 2011. The results from the disclosure index indicate that the level of average voluntary disclosure in the sample companies is 44.68%. The highest score achieved by a firm is 75% and the lowest score is 17.65% with a standard deviation of 14.34%. The firms are widely distributed with regard to voluntary disclosure. The average firm size is (Taka Bangladeshi) Tk.43211.40 lakh and Tk.27717.77 lakh respectively in terms of total assets (TA) and total sales (TS).The average percentage of return on assets (ROA) and return on sales (ROS) are 6.70 and 11.05 respectively with a standard deviation of 7.41 and 17.13. The average percentage of female directors to the total directors on board is 13.05 with a standard deviation of 15.23. The mean of the proportion of independent directors (PIND) to the directors on the board is 10.76% with a standard deviation of 6.08%. The average board leadership structure (BLS) is 0.69 with a standard deviation of 0.46.The average board size (BSZE) is 7.57 with minimum and maximum sizes of 4 and 13 respectively. The percentage of equity owned by the insiders to all equity of the firm is 39.83 with a standard deviation of 18.73.

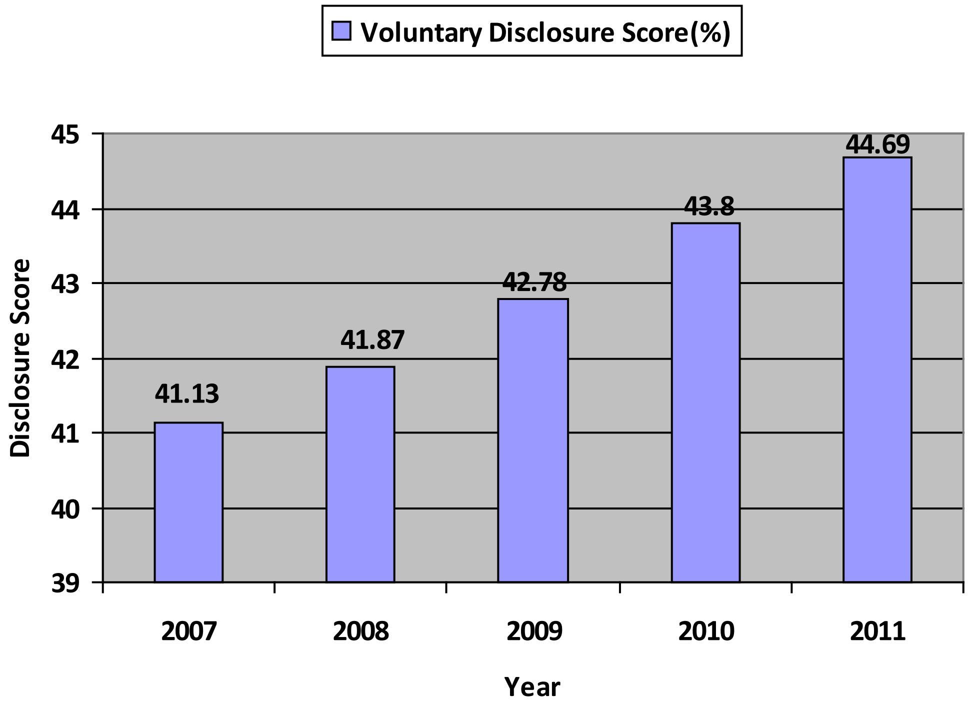
Table-6.22: Descriptive Statistics of Average Data for 2007-2011

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure (%)	106	18.24	72.35	42.85	13.94
TA (Lakh)	106	32.74	590787.60	35858.58	96828.14
TS (Lakh)	106	19.78	1056253.30	31075.36	125927.34
ROA (%)	106	0.10	34.77	6.25	6.27
ROS (%)	106	0.14	75.28	10.22	12.81
PFD (%)	106	0.00	56.00	12.76	14.74
PIND (%)	106	0.00	20.00	10.56	6.18
BLS	106	0.00	1.00	0.66	0.45
BSZE	106	4.00	13.00	7.36	1.67
PEOI (%)	106	8.00	86.00	40.87	17.90

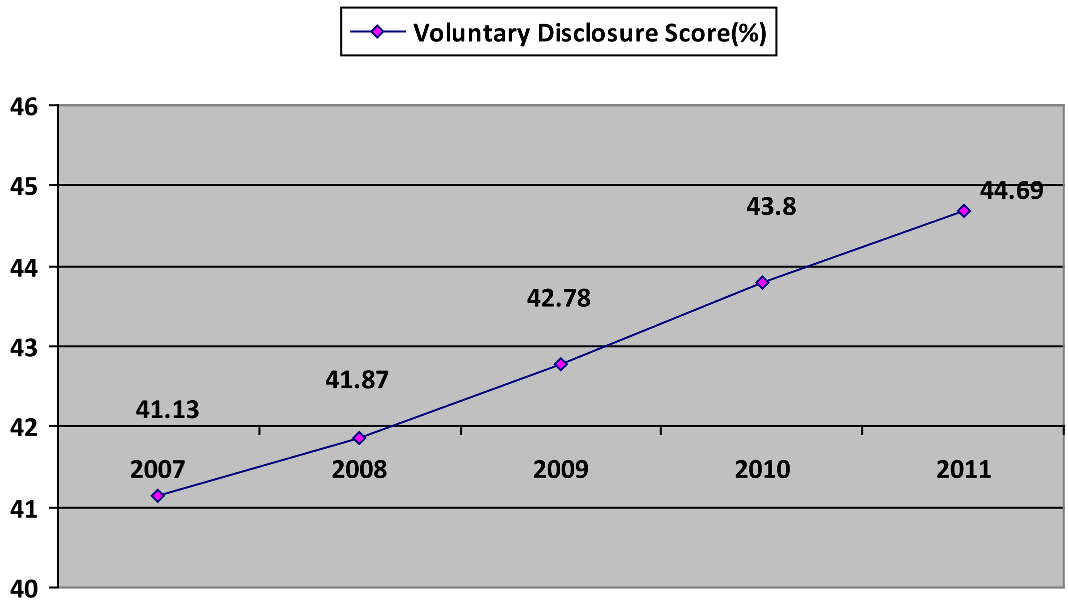
* TA= Total Assets; TS = Total Sales; ROA= Return on Assets; ROS= Return on Sales, PFD= Percentage of Female Directors; PIND = Percentage of Independent Directors; BLS = Board Leadership Structure; BSZE = Board Size; PEOI =Percentage of equity owned by the insiders to all equity of the firm.

Table-6.22 presents descriptive statistics from 2007 to 2011. The results from the disclosure index indicate that the level of average voluntary disclosure in the sample companies is 42.85%. The highest score achieved by a firm is 72.35% and the lowest score is 18.24% with a standard deviation of 13.94%. The firms are widely distributed with regard to voluntary disclosure. It is consistent with Hossain and Hammami (2009) in Qatar (36.84%), Akhtaruddin *et al.,* (2009) in Malaysia (53.20%) and Al-Shammari (2008) in Kuwait (46%). The average firm size is (Taka Bangladeshi) Tk.35858.58 lakh and Tk.31075.36 lakh respectively in terms of total assets (TA) and total sales (TS).The average percentage of return on assets (ROA) and return on sales (ROS) are 6.25 and 10.22 respectively with a standard deviation of 6.27 and 12.81. The average percentage of female directors to the total directors on board is 12.76 with a standard deviation of 14.74. The mean of the proportion of independent directors (PIND) to the directors on the board is 10.56% with a standard deviation of 6.18%. The average board leadership structure (BLS) is 0.66 with a standard deviation of 0.45 .The average board size (BSZE) is 7.36 with minimum and maximum sizes of 4 and 13 respectively. The percentage of equity owned by the insiders to all equity of the firm is 40.87 with standard deviation of 17.90.

Graph-6.15: The Year-wise disclosure score of sample companies



Graph 6.16: The trend of voluntary disclosure of the sample companies



The graph-6.15: and graph-6.16: show that the averages of voluntary disclosure items of the listed non-financial companies are 41.13% in the year 2007, 41.87% in the year 2008; 42.78 % in the year 2009; 43.8% in the year 2010 and 44.69% in the year 2011. In aggregate, the voluntary disclosure items had an increasing trend during the period of review.

6.5 Disclosure paired samples mean test

Table-6.23: Disclosure Paired Samples Mean Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	Y-2007 - Y-2008	-.73538	1.02001	.09907	-.9318	-.5389	-7.423	105	.000
Pair 2	Y-2008 - Y-2009	-.90670	1.63058	.15838	-1.2207	-.5926	-5.725	105	.000
Pair 3	Y-2009 - Y-2010	-1.0218	1.65221	.16048	-1.3400	-.7036	-6.368	105	.000
Pair 4	Y-2010 - Y-2011	-.88802	1.06789	.10372	-1.0936	-.6823	-8.561	105	.000
Pair 5	Y-2007- Y-2009	-1.6420	1.91935	.18642	-2.0117	-1.2724	-8.808	105	.000
Pair 6	Y-2007 - Y-2010	-2.6639	2.16812	.21059	-3.0815	-2.2464	-12.65	105	.000
Pair 7	Y2007- Y-2011	-3.5519	2.75182	.26728	-4.0819	-3.0220	-13.28	105	.000
Pair 8	Y-2008 - Y-2010	-1.9285	1.61545	.15691	-2.2397	-1.6174	-12.29	105	.000
Pair 9	Y-2008 - Y-2011	-2.8166	2.22405	.21602	-3.2449	-2.3882	-13.03	105	.000
Pair10	Y-2009 - Y-2011	-1.9099	2.02420	.19661	-2.2997	-1.5200	-9.714	105	.000

In the Table-6.23, Pair-1 shows that there are significant differences in the average voluntary disclosure of the listed non-financial companies in Bangladesh between the year 2007 and 2008 at 1% level of significance; Pair-2 shows that there are significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2008 and 2009 at 1% level of significance; Pair-3 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2009 and 2010 at 1% level of significance; Pair-4 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2010 and 2011 at 1% level of significance; Pair-5 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2007 and 2009 at 1% level of significance; Pair-6 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2007 and 2010 at 1% level of significance; Pair-7 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2007 and 2011 at 1% level of significance; Pair-8 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2008 and 2010 at 1% level of significance; Pair-9 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2008 and 2011 at 1% level of significance; Pair-10 shows that there are the significant differences in the average voluntary disclosure of the listed companies in Bangladesh between the year 2009 and 2011 at 1% level of significance.

6.6 Result of Pearson correlation analysis

Table-5.24: Pearson correlation analysis results for 2007 (N=106)

Variables	TVD	TA	TS	ROA	ROS	PFD	PIND	BLS	BSZE	PEOI
TVD	1.000									
TA	.367**	1.000								
TS	.165	.615**	1.000							
ROA	-.005	-.030	-.028	1.000						
ROS	.056	.145	-.081	.591**	1.000					
PFD	.296**	-.116	-.101	.055	.039	1.000				
PIND	-.012	.033	.029	.056	-.059	.035	1.000			
B LS	.395**	.061	.077	-.115	-.122	.141	.158	1.000		
BSZE	.264**	.239*	.126	.016	.059	.029	-.169	.244*	1.000	
PEOI	-.553**	-.104	.167	.021	-.118	-.112	.030	-.253**	-.189	1.000
** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).										

Table-6.24 provides the Pearson product-moment correlation coefficients of the continuous explanatory variables as well as the dependent variable included in the year of 2007. The result of Pearson product-moment correlation exposed that total assets, the percentage of female directors, board leadership structure and board size are positively related to voluntary disclosure (P<0.01, Two- tailed), but the percentage of equity owned by the insiders to all equity of the firm is negatively related to voluntary disclosure (P<0.01, Two- tailed). Total sales are positively related to the total assets at the level of (P<0.01, Two- tailed). ROA is positively related to ROS (P<0.01, Two- tailed). The percentage of equity owned by the insiders to all equity of the firm is negatively related to BLS (P<0.01, Two- tailed).

Table-6.25: Pearson correlation analysis results for 2008 (N=106)

Variables	TVD	TA	TS	ROA	ROS	PFD	PIND	BLS	BSZE	PEOI
TVD	1.000									
TA	.386**	1.000								
TS	.191*	.552**	1.000							
ROA	.051	-.024	.216*	1.000						
ROS	.120	.272**	-.009	.432**	1.000					
PFD	.296**	-.102	-.145	-.002	-.008	1.000				
PIND	-.014	.010	.162	-.014	-.140	.069	1.000			
B LS	.380**	.065	.009	-.128	-.092	.129	.176	1.000		
BSZE	.302**	.280**	.187	.073	.178	.050	-.178	.230*	1.000	
PEOI	-.561**	-.095	-.169	.012	-.082	-.119	.067	-.248*	-.232*	1.000

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

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

Table-6.25 provides the Pearson product-moment correlation coefficients of the continuous explanatory variables as well as the dependent variable included in the year of 2008. The result of Pearson product-moment correlation exposed that total assets, the percentage of female directors, board leadership structure and board size are positively related to voluntary disclosure (P<0.01, Two- tailed), but the percentage of equity owned by the insiders to all equity of the firm is negatively related to voluntary disclosure (P<0.01, Two- tailed). Total sales, ROS and BSZE are positively related to the total assets at the level of (P<0.01, Two- tailed). Total Assets is positively related to ROS (P<0.05, Two- tailed). ROA is positively related to ROS (P<0.01, Two- tailed). The percentage of equity owned by the insiders to all equity of the firm is negatively related to BLS and BSZE (P<0.05, Two- tailed).

Table-6.26: Pearson correlation analysis results for 2009(N=106)

Variables	TVD	TA	TS	ROA	ROS	PFD	PIND	BLS	BSZE	PEOI
TVD	1.000									
TA	.376**	1.000								
TS	.185	.432**	1.000							
ROA	.036	-.071	.168	1.000						
ROS	-.005	.066	-.036	.170	1.000					
PFD	.306**	-.073	-.140	.055	.003	1.00				
PIND	-.024	-.020	.002	.066	.025	.136	1.000			
B LS	.399**	.085	-.006	.024	.105	.123	.055	1.000		
BSZE	.323**	.235*	.216*	.046	.044	.046	-.255**	.247*	1.000	
PEOI	-.515**	-.107	-.267**	-.016	-.077	-.111	.035	-.297**	-.220*	1.000

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

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

Table-6.26 provides the Pearson product-moment correlation coefficients of the continuous explanatory variables as well as the dependent variable included in the year of 2009. The result of Pearson product-moment correlation exposed that total assets, the percentage of female directors, board leadership structure and board size are positively related to voluntary disclosure (P<0.01, Two- tailed), but the percentage of equity owned by the insiders to all equity of the firm is negatively related to voluntary disclosure (P<0.01, Two- tailed). Total sales are positively related to the total assets at the level of (P<0.01, Two- tailed). Total Sales is positively related to BSZE (P<0.05, Two- tailed) and negatively related to PEOI (P<0.01, Two-tailed). The percentage of equity owned by the insiders to all equity of the firm is negatively related to BLS and BSZE (P<0.01, Two- tailed).

Table-6.27: Pearson correlation analysis results for 2010(N=106)

Variables	TVD	TA	TS	ROA	ROS	PFD	PIND	BLS	BSZE	PEOI
TVD	1.000									
TA	.387**	1								
TS	.178	.550**	1							
ROA	.055	-.020	.218*	1						
ROS	.105	.178	-.033	.466**	1					
PFD	.289**	-.108	-.141	-.015	-.056	1				
PIND	-.029	-.050	.007	.051	-.152	.133	1			
BLS	.386**	.051	-.005	.115	.033	.123	-.001	1		
BSZE	.331**	.283**	.193*	.096	.083	.080	-.239*	.267**	1	
PEOI	-.510**	-.061	-.129	-.013	-.073	-.155	.038	-.248*	-.197*	1.000

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

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

Table-6.27 provides the Pearson product-moment correlation coefficients of the continuous explanatory variables as well as the dependent variable included in the year of 2010. The result of Pearson product-moment correlation exposed that total assets, the percentage of female directors, board leadership structure and board size are positively related to voluntary disclosure (P<0.01, Two- tailed), but the percentage of equity owned by the insiders to all equity of the firm is negatively related to voluntary disclosure (P<0.01, Two- tailed). Total sales and BSZE are positively related to the total assets at the level of (P<0.01, Two- tailed). Total sales are positively related to ROA and BSZE (P<0.05, Two- tailed). ROA is positively related to ROS (P<0.01, Two- tailed). The percentage of equity owned by the insiders to all equity of the firm is negatively related to BLS and BSZE (P<0.05, Two- tailed).

Table-6.28: Pearson correlation analysis results for 2011(N=106)

Variables	TVD	TA	TS	ROA	ROS	PFD	PIND	BLS	BSZE	PEOI
TVD	1.000									
TA	.377**	1.000								
TS	.185	.514**	1.000							
ROA	.043	-.011	.187	1.000						
ROS	.129	.257**	-.016	.430**	1.000					
PFD	.287**	-.107	-.143	-.052	-.071	1.000				
PIND	.013	-.052	.012	.101	-.187	.147	1.000			
B LS	.382**	.066	.001	.050	.041	.164	-.021	1.000		
BSZE	.288**	.272**	.186	.126	.145	.078	-.224*	.235*	1.000	
PEOI	-.523**	-.043	-.131	-.014	-.075	-.194*	.024	-.214*	-.169	1.000

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

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

Table-6.28 provides the Pearson product-moment correlation coefficients of the continuous explanatory variables as well as the dependent variable included in the year of 2011. The result of Pearson product-moment correlation exposed that total assets, the percentage of female directors, board leadership structure and board size are positively related to voluntary disclosure (P<0.01, Two- tailed), but the percentage of equity owned by the insiders to all equity of the firm is negatively related to voluntary disclosure (P<0.01, Two- tailed). Total sales, ROS and BSZE are positively related to the total assets at the level of (P<0.01, Two- tailed). ROA is positively related to ROS (P<0.01, Two- tailed). The percentage of equity owned by the insiders to all equity of the firm is negatively related to BLS, PFD (P<0.05, Two- tailed).

Table-6.29: Pearson correlation analysis results of average data for 2007-2011

Variables	TVD	TA	TS	ROA	ROS	PFD	PIND	BLS	BSZE	PEOI
TVD	1.000									
TA	.407**	1.000								
TS	.231*	.763**	1.000							
ROA	.040	-.013	.076	1.000						
ROS	.096	.127	-.073	.450**	1.000					
PFD	.297**	-.105	-.151	.011	-.009	1.000				
PIND	-.016	-.017	.049	.060	-.184	.112	1.000			
BLS	.407**	.077	.058	-.006	-.002	.136	.051	1.000		
BSZE	.314**	.286**	.192*	.100	.203*	.059	-.222*	.256**	1.000	
PEOI	-.548**	-.090	.039	-.004	-.100	-.144	.055	-.273**	-.206*	1.000

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

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

Table-6.29 provides the Pearson product-moment correlation coefficients of the continuous explanatory variables as well as the dependent variable included in the year of average data for 2007-2011.The result of Pearson product-moment correlation exposed that total assets, the percentage of female directors, board leadership structure and board size are positively related to voluntary disclosure (P<0.01, Two- tailed), but the percentage of equity owned by the insiders to all equity of the firm is negatively related to voluntary disclosure (P<0.01, Two-tailed). Total sales and BSZE are positively related to the total assets at the level of (P<0.01, Two- tailed). Total Sales is positively related to BSZE (P<0.05, Two-tailed). The percentage of equity owned by the insiders to all equity of the firm is negatively related to BLS (P<0.01, Two- tailed) and BSZE (P<0.05, Two- tailed).

6.7 Results of multiple regression analysis

Table-6.30: Regression Analysis Results for 2007(N=106)

Variables	Coefficient	Standard Error	Beta t Values	P Value
TA	0.312	0.000	3.191	0.002***
TS	0.051	0.000	0.536	0.593
ROA	0.069	0.192	0.770	0.443
ROS	-0.066	0.126	-0.714	0.477
PFD	0.256	0.069	3.600	0.001***
PIND	-0.058	0.142	-0.792	0.430
BLS	0.225	2.158	2.912	0.004***
BSZE	0.029	0.610	0.387	0.700
PEOI	-0.445	0.058	-5.783	0.000***
R Square	0.538			
Adjusted R squire	0.495			
F value	12.435			
P Value	0.000			

* P<0.1, two-tailed, ** P<0.050, two-tailed, *** P<0.010, two-tailed
TVDE = Total voluntary disclosure score received from each company
TA = Total assets of a firm
TS = Total sales of a firm
ROA = Percentage of net profit after taxes to the total assets of a firm
ROS = Percentage of net profit after taxes to the total sales of a firm
PFD = Percentage of female directors to the total directors on board
PIND = Percentage of independent directors to the total directors on board
BLS = Board leadership structure, 1 for duel or 0 for non-dual
BSZE = Total number of members on each board
PEOI = Percentage of equity owned by the insiders to an all equity firm

Table-6.30 shows the association between experimental variables and voluntary disclosure index for the year 2007. The coefficient of coordination R-square, F ratio, beta coefficients and t-statistics for the regression model and summarized results of the dependent variable on the explanatory variables can be seen in the Table-6.30. The results indicate an R-square of 0.538, and an F value of 12.435, which are significant at the level of 0.000. Both of the values indicate that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables.

If the independent variable total assets is increased by one unit then the dependent variable will also increase by 0.312 with SE = 0.000, Beta t value = 3.191 and significance at the level of 0.002. The result indicates that total asset of a firm is positively associated with the level voluntary disclosure.

The percentage of the female directors to the directors on the board is a significant corporate governance variable. The regression coefficient for the variable is 0.256, which is positive and statistically significant at the level of 0.001 ($P<0.01$, two-tailed). The result indicates that the percentage of female directors to the total directors on board of a firm is positively associated with the level voluntary disclosure of information.

Board leadership structure is another significant corporate governance variable. The regression coefficient for the variable is 0.255, which is positive and statistically significant at the level of 0.004 ($P<0.01$, two-tailed). The result indicates that dual leadership structure of a firm is positively related to the extent of voluntary disclosure.

Ownership structure (the percentage of equity owned by the insiders to an all equity firm) is the most significant corporate governance variable. The regression coefficient for the variable is -0.445, which is negative and statistically significant at the level 0.000 ($P<0.01$, two-tailed). This result indicates that the hypothesis H_9 the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the extent of voluntary disclosure.

Table-6.31: Regression Analysis Results for 2008(N=106)

Variables	Coefficient	Standard Error	Beta t Values	P Value
TA	0.455	0.000	4.809	0.000***
TS	-0.145	0.000	-1.524	0.131
ROA	0.168	0.201	2.002	0.048**
ROS	-0.104	0.113	-1.203	0.232
PFD	0.239	0.068	3.425	0.001***
PIND	-0.024	0.148	-0.328	0.743
BLS	0.214	2.119	2.878	0.005***
BSZE	0.036	0.620	0.478	0.634
PEOI	-0.461	0.055	-6.287	0.000***
R Square	0.565			
Adjusted R squire	0.525			
F value	13.876			
P Value	0.000			

* P<0.1, two-tailed, ** P<0.05, two-tailed, *** P<0.01, two-tailed

TVDE = Total voluntary disclosure score received from each company

TA = Total assets of a firm

TS = Total sales of a firm

ROA = Percentage of net profit after taxes to the total assets of a firm

ROS = Percentage of net profit after taxes to the total sales of a firm

PFD = Percentage of female directors to the total directors on board

PIND = Percentage of independent directors to the total directors on board

BLS = Board leadership structure, 1 for duel or 0 for non-dual

BSZE = Total number of members on each board

PEOI = Percentage of equity owned by the insiders to an all equity firm

Table-6.31 shows the association between experimental variables and voluntary disclosure index for the year 2008. The coefficient of coordination R-square, F ratio, beta coefficients and t-statistics for the regression model and summarized results of the dependent variable on the explanatory variables can be seen in the Table-6.31. The results indicate an R-square of 0.565, and an F value of 13.876, which are significant at the level of 0.000. Both of the values indicate that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables.

Total asset is a significant firm specific variable. The regression coefficient for the variable is 0.455, which is positive and statistically significant at the level of 0.000 ($P<0.01$, two-tailed). The result indicates that total asset of a firm is positively associated with the level voluntary disclosure.

The return on assets (ROA) is another firm specific variable. It can be measured as the percentage of net profit after taxes to the total assets of a firm. The regression coefficient for the variable is 0.168, which is positive and statistically significant at the level of 0.048 ($P<0.05$, two-tailed). The result indicates that the percentage of net profit after taxes to the total assets of a firm is positively associated with the voluntary disclosure of information.

The percentage of the female directors to the directors on the board is a significant corporate governance variable. If the independent variable PFD is increased by one unit then this situation the dependent variable is also increased by 0.239 with SE = 0.068, Beta t value = 3.425 and significance at the level of 0.001($P<0.01$, two-tailed). The result indicates that the percentage of female directors to the total directors on board of a firm is positively associated with the voluntary disclosure of information.

Board leadership structure is another significant corporate governance variable. The regression coefficient for the variable is 0.214, which is positive and statistically significant at the level of 0.005 ($P<0.01$, two-tailed). The result indicates that dual leadership structure of a firm is positively related to the extent of voluntary disclosure.

Ownership structure (the percentage of equity owned by the insiders to an all equity firm) is the most significant corporate governance variable. If the independent variable ownership structure is increased by one unit then this situation the dependent variable is decreased by -0.461 with SE = 0.055, Beta t value = -6.287 and significance at the level of 0.001($P<0.01$, two-tailed). This result indicates that the hypothesis H_9 the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the extent of voluntary disclosure.

Table-6.32: Regression Analysis Results for 2009 (N=106)

Variables	Coefficient	Standard Error	Beta t Values	P Value
TA	0.352	0.000	4.293	0.000***
TS	-0.072	0.000	-0.828	0.409
ROA	0.062	0.146	0.824	0.412
ROS	-0.098	0.041	-1.330	0.187
PFD	0.248	0.069	3.347	0.001***
PIND	-0.024	0.163	-.313	0.755
BLS	0.207	2.353	2.659	0.009***
BSZE	0.103	0.664	1.287	0.201
PEOI	-0.391	0.060	-4.935	0.000***
R Square	0.515			
Adjusted R squire	0.469			
F value	11.311			
P Value	0.000			

* P<0.1, two-tailed, ** P<0.05, two-tailed, *** P<0.01, two-tailed

TVDE = Total voluntary disclosure score received from each company

TA = Total assets of a firm

TS = Total sales of a firm

ROA = Percentage of net profit after taxes to the total assets of a firm

ROS = Percentage of net profit after taxes to the total sales of a firm

PFD = Percentage of female directors to the total directors on board

PIND = Percentage of independent directors to the total directors on board

BLS = Board leadership structure, 1 for duel or 0 for non-dual

BSZE = Total number of members on each board

PEOI = Percentage of equity owned by the insiders to an all equity firm

Table-6.32 shows the association between experimental variables and voluntary disclosure index for the year 2009. The coefficient of coordination R-square, F ratio, beta coefficients and t-statistics for the regression model and summarized results of the dependent variable on the explanatory variables can be seen in the Table-6.32. The results indicate an R-square of 0.515, and an F value of 11.311, which are significant at the level of 0.000. Both of the values indicate that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables.

If the independent variable TA is increased by one unit then the dependent variable will also increase by 0.352 with SE = 0.000, Beta t value = 4.293 and significance at the level of 0.000. The result indicates that total asset of a firm is positively associated with the level voluntary disclosure.

The percentage of the female directors to the directors on the board is a significant corporate governance variable. The regression coefficient for the variable is 0.248, which is positive and statistically significant at the level of 0.001 ($P<0.01$, two-tailed). The result indicates that the percentage of female directors to the total directors on board of a firm is positively associated with the voluntary disclosure of information.

Board leadership structure is another significant corporate governance variable. If the independent variable board leadership structure is increased by one unit then this situation the dependent variable is also increased by 0.207 with SE = 2.353, Beta t value = 2.659 and significance at the level of 0.009 ($P<0.01$, two-tailed). The result indicates that dual leadership structure of a firm is positively related to the extent of voluntary disclosure.

Ownership structure (the percentage of equity owned by the insiders to an all equity firm) is the most significant corporate governance variable. The regression coefficient for the variable is -0.391, which is negative and statistically significant at the level of 0.000 ($P<0.01$, two-tailed). This result indicates that the hypothesis H_9, the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the extent of voluntary disclosure.

Table-6.33: Regression Analysis Results for 2010 (N=106)

Variables	Coefficient	Standard Error	Beta t Values	P Value
TA	0.352	0.000	4.293	0.000***
TSE	-0.072	0.000	-0.828	0.409
ROA	0.062	0.146	0.824	0.412
ROS	-0.098	0.041	-1.330	0.187
PFD	0.248	0.069	3.347	0.001***
PIND	-0.024	0.163	-0.313	0.755
BLS	0.207	2.353	2.659	0.009***
BSZE	0.103	0.664	1.287	0.201
PEOI	-0.391	0.060	-4.935	0.000***
R Square	0.517			
Adjusted R squire	0.472			
F value	11.430			
P Value	0.000			

* P<0.1, two-tailed, ** P<0.05, two-tailed, *** P<0.01, two-tailed

TVDE = Total voluntary disclosure score received from each company

TA = Total assets of a firm

TS = Total sales of a firm

ROA = Percentage of net profit after taxes to the total assets of a firm

ROS = Percentage of net profit after taxes to the total sales of a firm

PFD = Percentage of female directors to the total directors on board

PIND = Percentage of independent directors to the total directors on board

BLS = Board leadership structure, 1 for duel or 0 for non-dual

BSZE = Total number of members on each board

PEOI = Percentage of equity owned by the insiders to an all equity firm

Table-6.33 shows the association between experimental variables and voluntary disclosure index for the year 2010. The coefficient of coordination R-square, F ratio, beta coefficients and t-statistics for the regression model and summarized results of the dependent variable on the explanatory variables can be seen in the Table-6.33. The results indicate an R-square of 0.517, and an F value of 11.430, which are significant at the level of 0.000. Both of the values indicate that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables.

Total asset is a significant firm specific variable. The regression coefficient for the variable is 0.352, which is positive and statistically significant at the level of 0.000 ($P<0.01$, two-tailed). The result indicates that total asset of a firm is positively associated with the level voluntary disclosure.

The percentage of the female directors to the directors on the board is a significant corporate governance variable. The regression coefficient for the variable is 0.248, which is positive and statistically significant at the level of 0.001 ($P<0.01$, two-tailed). The result indicates that the percentage of female directors to the total directors on board of a firm is positively associated with the level voluntary disclosure of information.

Board leadership structure is another significant corporate governance variable. The regression coefficient for the variable is 0.207, which is positive and statistically significant at the level of 0.009 ($P<0.01$, two-tailed). The result indicates that dual leadership structure of a firm is positively related to the extent of voluntary disclosure.

Ownership structure (the percentage of equity owned by the insiders to all equity of a firm) is the most significant corporate governance variable. The regression coefficient for the variable is -0.391, which is negative and statistically significant at the level of 0.000 ($P<0.01$, two-tailed). This result indicates that the hypothesis H_9, the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the extent of voluntary disclosure.

Table-6.34: Regression Analysis Results for 2011(N=106)

Variables	Coefficient	Standard Error	Beta t Values	P Value
TA	0.391	0.000	4.119	0.000***
TS	-0.061	0.000	-0.655	0.514
ROA	0.048	0.171	0.542	0.589
ROS	-0.024	0.076	-0.264	0.792
PFD	0.214	0.074	2.816	0.006***
PIND	0.027	0.183	0.346	0.730
BLS	0.220	2.342	2.915	0.004***
BSZE	0.050	0.654	0.622	0.536
PEOI	-0.415	0.058	-5.440	0.000***
R Square	0.517			
Adjusted R squire	0.471			
F value	11.302			
P Value	0.000			

* P<0.1, two-tailed, ** P<0.05, two-tailed, *** P<0.01, two-tailed
TVDE = Total voluntary disclosure score received from each company
TA = Total assets of a firm
TS = Total sales of a firm
ROA = Percentage of net profit after taxes to the total assets of a firm
ROS = Percentage of net profit after taxes to the total sales of a firm
PFD = Percentage of female directors to the total directors on board
PIND = Percentage of independent directors to the total directors on board
BLS = Board leadership structure, 1 for duel or 0 for non-dual
BSZE = Total number of members on each board
PEOI = Percentage of equity owned by the insiders to an all equity firm

Table-6.34 shows the association between experimental variables and voluntary disclosure index for the year 2011. The coefficient of coordination R-square, F ratio, beta coefficients and t-statistics for the regression model and summarized results of the dependent variable on the explanatory variables can be seen in the Table-6.34. The results indicate an R-square of 0.517, and an F value of 11.302, which are significant at the level of 0.000. Both of the values indicate that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables.

If the independent variable total assets is increased by one unit then the dependent variable will also increase by 0.391 with SE = 0.000, Beta t value = 4.119 and significance at the level of 0.000. The result indicates that total asset of a firm is positively associated with the level voluntary disclosure.

The percentage of the female directors to the directors on the board is a significant corporate governance variable. If the independent variable PFD is increased by one unit then this situation the dependent variable is also increased by 0.214 with SE = 0.074, Beta t value = 2.816 and significance at the level of 0.006 ($P<0.01$, two-tailed). The result indicates that the percentage of female directors to the total directors on board of a firm is positively associated with the level voluntary disclosure of information.

Board leadership structure is another significant corporate governance variable. The regression coefficient for the variable is 0.220, which is positive and statistically significant at the level of 0.004 ($P<0.01$, two-tailed). The result indicates that dual leadership structure of a firm is positively related to the extent of voluntary disclosure.

Ownership structure (the percentage of equity owned by the insiders to an all equity firm) is the most significant corporate governance variable. If the independent variable ownership structure is increased by one unit then the dependent variable will also increase by -0.415 with SE = 0.058, Beta t value = -5.440 and significance at the level of 0.001($P<0.01$, two-tailed). This result indicates that the hypothesis H_9, the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the extent of voluntary disclosure.

Table-6.35: Regression Analysis Results for average data 2007-2011(N=106)

Variables	Coefficient	Standard Error	Beta t Values	P Value
TA	0.421	0.000	3.584	0.001***
TS	-0.067	0.000	-0.576	0.566
ROA	0.063	0.181	0.776	0.440
ROS	-0.042	0.093	-0.495	0.621
PFD	0.241	0.067	3.394	0.001***
PIND	-0.023	0.165	-0.311	0.756
BLS	0.224	2.258	3.045	0.003***
BSZE	0.049	0.643	0.634	0.528
PEOI	-0.404	0.057	-5.528	0.000***
R Square	0.554			
Adjusted R squire	0.512			
F value	13.248			
P Value	0.000			

* P<0.1, two-tailed, ** P<0.05, two-tailed, *** P<0.01, two-tailed

TVDE = Total voluntary disclosure score received from each company

TA = Total assets of a firm

TS = Total sales of a firm

ROA = Percentage of net profit after taxes to the total assets of a firm

ROS = Percentage of net profit after taxes to the total sales of a firm

PFD = Percentage of female directors to the total directors on board

PIND = Percentage of independent directors to the total directors on board

BLS = Board leadership structure, 1 for duel or 0 for non-dual

BSZE = Total number of members on each board

PEOI = Percentage of equity owned by the insiders to an all equity firm

Table-6.35 shows the average data of the association between experimental variables and voluntary disclosure index from the year 2007 to 2011. The coefficient of coordination R-square, F ratio, beta coefficients and t-statistics for the regression model and summarized results of the dependent variable on the explanatory variables can be seen in the Table-6.35. The results indicate an R-square of 0.554, and an F value of 13.248, which are significant at the level of 0.000. Both of the values indicate that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables.

Total asset is a significant firm specific variable. The hypothesis of the variable is: **H_1**: The total assets of a firm are positively associated with the level of voluntary disclosures. If the independent variable TA is increased by one unit then this situation the dependent variable is also increased by 0.421 with SE = 0.000, Beta t value = 3.584 and significance at the level of 0.001. The result indicates that total assets of a firm are positively associated with the level voluntary disclosure which supports the hypothesis and is similar to the Aripin, et al.,2008;Watson et al., 2002; Da-Silva & Christensen, 2004; Wallace et al.,1994; Samir, et al.,2003; Ho and Wong, 2001.

Total sales are another firm-specific variable. The hypothesis of the variable is: **H_2**: The total sales of a firm are positively associated with the level of voluntary disclosures. The regression coefficient for the variable is -0.067 and its p value is 0.556 which indicate that total sale is negatively related to the level of voluntary disclosure but not statistically significant at the level of 1%, 5% and 10% which does not support the hypothesis.

Again return on assets (ROA) is another firm-specific variable. The hypothesis of the variable is: **H_3**: The return on assets (ROA) of a firm is positively associated with the level of voluntary disclosures. If the independent variable ROA is increased by one unit then this situation the dependent variable is also increased by 0.063 with SE = 0.181, Beta t value = 0.776 and its p value is 0.440 which indicate that ROA is positively related to the level of voluntary disclosure but not statistically significant at the level of 1%, 5% and 10% which does not support the hypothesis.

Besides, return on sales (ROS) is another firm-specific variable. The hypothesis of the variable is: **H_4**: The return on sales (ROS) of a firm is positively associated with the level of voluntary disclosures. The coefficient for ROS is -0.042 and its p value is 0.621 which indicate that ROS is negatively related to the level of voluntary disclosure but not statistically significant at the level of 1%, 5% and 10% which does not support the hypothesis.

The percentage of the female directors to the directors on the board is a significant corporate governance variable. The hypothesis of the variable is: **H_5**: A higher proportion of female directors on a board are positively related to the level of voluntary disclosure. The regression coefficient for the variable is 0.241, which is positive and statistically significant at the level of 0.001 ($P<0.01$, two-tailed). The result indicates that the percentage of female directors to the total directors on board of a firm is positively associated with the level voluntary disclosure of information which supports the hypothesis.

The percentage of independent directors to the total directors on board is a corporate governance variable. The hypothesis of the variable is: **H_6**: A higher proportion of independent directors on a board are positively related to the level of voluntary disclosure. The coefficient for PIND is -0.023 and its p value is 0.756 which indicate that PIND is negatively related to the level of voluntary disclosure but not statistically significant at the level of 1%, 5% and 10% which does not support the hypothesis and is similar to that of Barako, et al., 2006; End and Mak, 2003; Ho & Wong, 2001; Simon and Kar, 2001; Ros & Terry, 2000; Forker, 1992.

Board leadership structure is another significant corporate governance variable. The hypothesis of the variable is: **H_7**: Dual leadership structure of a firm is positively related to the level of voluntary disclosure. The regression coefficient for the variable is 0.224, which is positive and statistically significant at the level of 0.003 ($P<0.01$, two-tailed). The result indicates that dual leadership structure of a firm is positively related to the extent of voluntary disclosure which supports the hypothesis.

The board size is another corporate governance variable. The hypothesis of the variable is: **H_8**: The number of directors on a board is positively related to the level of voluntary disclosure. The coefficient for board size is 0.049 and positive, with SE = 0.643, Bata t value = .634 and significance at the level 0.528. The result indicates that the board size of a firm is not statistically significant with the level of voluntary information at the level of 1%, 5% and 10% which does not support the hypothesis.

Ownership structure (the percentage of equity owned by the insiders to an all equity firm) is the most significant corporate governance variable. The hypothesis of the variable: **H_9**: The percentage of equity of insiders (top level management) of a firm is negatively associated with the level of voluntary disclosures. The regression coefficient for the variable is -0.404, which is negative and statistically significant at the level 0.000 ($P<0.01$, two-tailed). The result indicates that the hypothesis H_9, the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the extent of voluntary disclosure which supports the hypothesis and is similar to Hossain, et al.(1995); Haniffa and Cooke,(2002); Akhtaruddin, et al.(2009); Chau and Gary,(2002); Ho and Wong,(2001) Forker, 1992 and is dissimilar to Hongxia and Ainian,(2008); Gerald and Sidney,(2002); Richard Pike, et al.,(2008).

6.8 Summary of the Regression Results

Table-6.36: The results of this study are summarized and presented

Variables Labels	Expected Sign	Results
TVD	Index	Index
β_1TA	(+)	Supported
β_2TS	(+)	Not Supported
β_3ROA	(+)	Not Supported
β_4ROS	(+)	Not Supported
β_5PFD	(+)	Supported
β_6PIND	(+)	Not Supported
β_7BLS	(+)	Supported
β_8BSZE	(+)	Not Supported
β_9PEOI	(-)	Supported

6.9 Conclusion

The objective of this chapter is to examine the firm-specific characteristics, corporate governance factors and their influence on voluntary disclosure in annual reports of listed non-financial companies in Bangladesh. The factors examined are total assets, total sales, return on assets, return on sales, the percentage of female directors, the proportion of independent directors, board leadership structure, the board size and the percentage of equity owned by the insiders of a firm. Considering this factors we have drawn nine hypotheses in the development of an approach to the research problem. To test these hypotheses mean, median, minimum, maximum, standard deviation, correlation and regression for each variable are calculated by using a software named statistical packages for social science (SPSS) 17.0 and statistical graphs, tables and charts have been used for data presentation. Calculations find that among nine independent variables significant ones are total assets, the percentage of female directors, board leadership structure and the percentage of equity owned by the insiders of a firm which support their related hypotheses (H_1, H_5, H_7 and H_9) and total sales, return on assets, return on sales, the proportion of independent directors and the board size of a firm are insignificant which do not support their related hypotheses (H_2, H_3, H_4, H_6 and H_8).

CHAPTER-7

Users' Perception on Corporate Voluntary Disclosure

CHAPTER-7

Users' Perception on Corporate Voluntary Disclosure

7. Introduction

The aim of this chapter is to know the users' perception about their apparent significance for different sources of voluntary information in making their economic decisions and their opinions regarding the qualitative characteristics of voluntary information in the corporate annual reports of listed non-financial companies in Bangladesh. Perception on corporate voluntary disclosure has been collected from four different user groups-teachers (teachers of Accounting and Finance who have analyzed annual reports), professional accountants (chartered accountants who have audited annual reports), investors (persons who have invested money in the capital market but do not fall under the category of teachers, professional accountants and stockbrokers) and stockbrokers (chief executive officers of broker house).

This chapter is divided into nineteen sections from 7 to 7.19. Among them section 7addresses the introduction; section 7.1 summarizes the users' academic qualifications and experiences; section 7.2 describes the users' perception on dependable of voluntary information; section 7.3 addresses the users' perception on importance level of voluntary information; section 7.4 deals with the users' perception on relevance of voluntary information; section 7.5 discusses users' perception on predictive value of voluntary information; section 7.6 summarizes the users' perception on confirmatory value of voluntary information; section 7.7 explains the users' perception on materiality of voluntary information; section 7.8 addresses the users' perception on faithful representation of voluntary information; section 7.9 discusses the users' perception on completeness of voluntary information; section 7.10 summarizes the users' perception on neutrality of voluntary information; section 7.11 addresses users' perception on free from error of voluntary information; section 7.12 discusses the users' perception on comparability of voluntary information; section 7.13 summarizes the users' perception on verifiability of the voluntary information; section 7.13 describes the users' perception on timeliness of voluntary information; section 7.14 explains the users' perception on understandability of voluntary information; section 7.15 describes the users' perception on reliability of the voluntary information; section 7.16 addresses the users' perception on capability of voluntary information; section 7.17 summarizes the users' perception on established a special monitoring cell and section 7.19 is concerned with the summary and conclusion of the chapter.

7. 1 Users' academic qualifications and experiences

Table-7.1: Users' academic qualifications

Particulars	n and %	Respondent Groups				Total	χ^2	df
		Teac.	P. Act.	Inv.	SB			
Diploma or Lower	n	0	0	1	0	1	22.549	9
	%	.0	.0	4.2	.0	1.1		
Bachelor or Equivalent	n	0	0	7	5	12		
	%	.0	.0	29.2	21.7	13.5		
Master or Equivalent	n	18	15	15	18	66		
	%	81.8	75.0	62.5	78.3	74.2		
PhD or Equivalent	n	4	5	1	0	10		
	%	18.2	25.0	4.2	.0	11.2		
Total	n	22	20	24	23	89		
	%	100	100	100	100	100		

Note: **Teac.** = Teachers; **P. Act.=** Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **df** = degree of freedom

Table-7.1 presents academic qualifications of the different user groups. Survey in our study suggests four categories of academic qualification for user groups. User groups are teachers (Tea), professional accountants (P. Act.), investors (Inv.) and stockbrokers (SB). Table-7.1 shows that 13.5% of respondents obtained bachelor or equivalent degree; 74.2% of respondents obtained master or equivalent degree; 11.2% of respondents obtained Ph.D. or equivalent degree from universities and only 1.1% of respondents obtained diploma or lower academic degree.

Table-7.2: Users' length of work experiences

Particulars	n and %	Respondent Groups				Total	χ^2	df
		Teac.	P. Act.	Inv.	SB			
Below-2 Years	n	1	0	2	1	4	27.287	12
	%	4.5	.0	8.3	4.3	4.5		
2-5 Years	n	13	1	8	10	32		
	%	59.1	5.0	33.3	43.5	36.0		
5-7 Years	n	5	4	8	6	23		
	%	22.7	20.0	33.3	26.1	25.8		
7-10 Years	n	0	8	4	4	16		
	%	.0	40.0	16.7	17.4	18.0		
10 and more	n	3	7	2	2	14		
	%	13.6	35.0	8.3	8.7	15.7		
Total	n	22	20	24	23	89		
	%	100	100	100	100	100		

Note: **Teac.** = Teachers; **P. Act.** = Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **df** = degree of freedom

The length of respondents' working experiences is shown in Table-7.2. It varies and spreads from less than two years to more than ten (10) years. The highest rate (36%) is for the category of within 2-5 years work experiences, and the lowest rate (4.5%) is for the level of less than two (2) years experience. 25.8% of respondents work experience is within 5-7 years;18% of respondents work experience is within 7-10 years, and 15.7% of respondents work experience is more than10 years.

7.2 Users' dependence on voluntary information

Several types of users use corporate voluntary information in accordance to their own requirement. But all of them are not equally dependent on the financial statement for collecting their expected information. Again, all users did not use all voluntary information in making their economic decision. Rather a degree of emphasis was given by the users on voluntary information for making their economic decision might vary from user to user. It is possible to get an idea about the users' dependence on voluntary information from the following Table-7.3:

Table-7.3: Users' dependence on voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P. Act.	Inv.	SB					
Highly Dependent	n	2	3	6	4	15	2	.72	5.23	9
	%	9.1	15.0	25.0	17.4	16.9				
Dependent	n	13	10	14	13	50				
	%	59.1	50.0	58.3	56.5	56.2				
Less Dependent	n	7	6	3	5	21				
	%	31.8	30.0	12.5	21.7	23.6				
Not Dependent	n	0	1	1	1	3				
	%	.0	5.0	4.2	4.3	3.4				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.3 reveals the users' perception about their dependence on voluntary information that incorporates in the corporate annual report n Bangladesh. Table shows those 16.9% respondents are highly dependent; 56.2% respondents are dependent; 23.6% respondents are less dependent and only 3.4% respondents are not dependent on corporate voluntary information. Group wise consideration shows that among the respondents teachers are dependable on the level of corporate information in their decision making by the highest percentage 59.1 and investors by 58.3%, stockbrokers by 56.5% and professional accountants by 50% gradually. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{10} = *There are no significant differences in perceptions of the respondent groups about their dependence on corporate voluntary information comprised in corporate annual reports in their decision making.*

The significance of the differences in perceptions of the respondent groups about their dependence on corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about their dependence on the corporate voluntary information comprised in corporate annual report in their decision making.

The results of the Pearson χ^2 test showed that users' dependence on corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 5.239, df = 9, P = 0.813, mode =2) which indicate that there is homogeneity among the perceptions of respondents groups about their dependence on corporate voluntary information comprised in corporate annual report in their decision making. So the null hypothesis is accepted.

7.3 Users' perception on importance level of voluntary information

All corporate voluntary information does not get equal importance to all users. Because of the users need, purposes, category, competence, profession, time of use, according to knowledge, etc. They expect to get different types of information. So according to the information need, different users want to know a different aspect(s) of the company. Users' expectation and its level are shown in the Table-7.4:

Table-7.4: Importance level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P. Act.	Inv.	SB					
General Information	n	4	4	6	1	15	2	1.0	9.62	9
	%	18.2	20.0	25.0	4.3	16.9				
Financial Information	n	11	9	8	11	39				
	%	50.0	45.0	33.3	47.8	43.8				
Director Information	n	4	1	4	7	16				
	%	18.2	5.0	16.7	30.4	18.0				
Share price Information	n	3	6	6	4	19				
	%	13.6	30.0	25.0	17.4	21.3				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stock Brokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.4 shows the users' perception about the importance level of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 16.9% respondents want to know about the general information; 43.8% respondents want to know about the financial information; 18% respondents want to know about the director information and 21.3% respondents want to know about the share price information. Group wise consideration shows that among the respondents teachers want to know about the share price information in their decision making by the highest percentage 50 and investors by 33.3%, stockbrokers by 45% and professional accountants by 47.8% gradually.

The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{11} = *There are no significant differences in perceptions of the respondent groups about the importance level of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the importance level of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the importance level of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the importance level of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 5.239, df = 9, P = 0.813, mode =2) which indicate that there is homogeneity among the perceptions of respondents groups about the importance level and the mode value 2 indicate financial information is given importance for the respondent groups of corporate voluntary information comprised in corporate annual report in Bangladesh.. So the null hypothesis is accepted. So the null hypothesis is accepted.

7.4 Users' perception on relevance of voluntary information

Information must be relevant to the decision-making needs of users. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future event or confirming or correcting, their past evaluations. The following table reflects the position of relevance of corporate voluntary information in viewpoint of users' opinion:

Table-7.5: Relevance level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Relevant	n	9	11	17	13	50	1	.54	6.26	6
	%	40.9	55.0	70.8	56.5	56.2				
Partly Relevant	n	12	9	6	10	37				
	%	54.5	45.0	25.0	43.5	41.6				
Not Relevant	n	1	0	1	0	2				
	%	4.5	.0	4.2	.0	2.2				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.5 shows the users' perception about the relevance of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 56.2% respondents' opinion information is relevant; 41.6% respondents' opinion information is partly relevant and only 2.2% respondents opinion information is not relevant that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H$_{12}$ = *There are no significant differences in perceptions of the respondent groups about the relevance of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the relevance of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the relevance of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the relevance of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 9.620, df = 9, P = 0.382, mode =1) which indicate that there is homogeneity among the perceptions of respondents groups about the relevance of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.5 Users' perception on predictive value of voluntary information

Predictive value helps users in predicting or anticipating future outcomes. Financial information has predictive value if it has value as an input to predictive processes used by investors to form their own expectations about the future (useful in making forecasts). The following table reflects the position of predictive value of corporate voluntary information in viewpoint of users' opinion:

Table-7.6: Predictive value of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Predictive Value	n	9	5	6	11	31	2	.49	7.25	6
	%	40.9	25.0	25.0	47.8	34.8				
Partly Predictive Value	n	12	15	18	12	57				
	%	54.5	75.0	75.0	52.2	64.0				
Not Predictive Value	n	1	0	0	0	1				
	%	4.5	.0	.0	.0	1.1				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.6 shows the users perception about the predictive value of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 34.8% respondents' opinion information has predictive value; 64% respondents' opinion information has partly predictive value and only 1.1% respondents' opinion information has not predictive value that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{13} = *There are no significant differences in perceptions of the respondent groups about the predictive value of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the predictive value of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the predictive value of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the predictive value of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 7.255, df = 6, P = 0.298, mode = 2) which indicate that there is homogeneity among the perceptions of respondents groups about the partly predictive value of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.6 Users' perception on confirmatory value of voluntary information

Confirmatory value enables users to check and confirm earlier predictions or evaluations. It helps users of financial information to evaluate past, present and future events or to confirm or correct their past evaluations in a decision making. The following table reflects the position of confirmatory value of corporate voluntary information in viewpoint of users' opinion:

Table-7.7: Confirmatory value of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P. Act.	Inv.	SB					
Confirmatory Value	n	7	7	7	7	28	2	.48	3.80	6
	%	31.8	35.0	29.2	30.4	31.5				
Partly Confirmatory Value	n	15	12	17	16	60				
	%	68.2	60.0	70.8	69.6	67.4				
Not Confirmatory Value	n	0	1	0	0	1				
	%	.0	5.0	.0	.0	1.1				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.7 shows the users' perception about the confirmatory value of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 31.5% respondents' opinion information has confirmatory value; 67.4% respondents' opinion information has partly confirmatory value and only 1.1% respondents' opinion information has not confirmatory value that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{14} = *There are no significant differences in perceptions of the respondent groups about the confirmatory value of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the confirmatory value of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the confirmatory value of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the confirmatory value of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 3.801, df = 6, P = 0.704, mode =2) which indicate that there is homogeneity among the perceptions of respondents groups about the partly confirmatory value of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.7 Users' perception on materiality of voluntary information

Accounting information is considered to be material if omission or misstatement of the information could influence users' decisions. Materiality is a function of the nature and /or magnitude of the information. The following table reflects the position of materiality of corporate financial statement in viewpoint of users' opinion:

Table-7.8: Materiality of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Material	n	11	10	15	14	50	1	.52	4.34	6
	%	50.0	50.0	62.5	60.9	56.2				
Partly Material	n	11	10	8	9	38				
	%	50.0	50.0	33.3	39.1	42.7				
Not Material	n	0	0	1	0	1				
	%	.0	.0	4.2	.0	1.1				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.8 shows the users' perception about the materiality of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 56.2% respondents' opinion information is material; 42.7% respondents' opinion information is partly material and only 1.1% respondents' opinion information is not material that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{15} = *There are no significant differences in perceptions of the respondent groups about the materiality of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the materiality of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the materiality of the corporate voluntary information comprised in corporate annual report in Bangladesh.
The results of the Pearson χ^2 test showed that the materiality of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 3.801, df = 6, P = 0.704, mode =2) which indicate that there is homogeneity among the perceptions of respondents groups about the materiality of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.8 Users' perception on faithful representation of voluntary information

In the case of corporate voluntary information, they must freedom from bias and complete such that nothing material is left out. It is possible to achieve representation faithfulness by ensuring freedom from bias and bring completeness in disclosing corporate voluntary information. The following table reflects the position of faithfulness of corporate voluntary information in viewpoint of users' opinion:

Table-7.9: Faithful representation of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Very Faithfully Represent	n	3	1	0	2	6	2	.65	6.978	9
	%	13.6	5.0	.0	8.7	6.7				
Faithfully Represent	n	16	17	22	19	74				
	%	72.7	85.0	91.7	82.6	83.1				
Unfaithfully Represent	n	1	0	0	0	1				
	%	4.5	.0	.0	.0	1.1				
Undecided	n	2	2	2	2	8				
	%	9.1	10.0	8.3	8.7	9.0				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.9 shows the users' perception about the faithful representation of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 6.7% respondents' opinion information is vary faithfully represent; 83.1% respondents' opinion information has faithfully represent; 9 % respondents' opinion information has undecided and only 1.1% respondents' opinion information has unfaithfully represent that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{16} = *There are no significant differences in perceptions of the respondent groups about the faithful representation of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the faithful representation of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents’ groups and the perceptions about the faithful representation of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the faithful representation of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 6.978, df = 9, P = 0.639, mode = 2) which indicate that there is homogeneity among the perceptions of respondents groups about the faithful representation of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.9 Users’ perception on completeness of voluntary information

Completeness is the enhancing qualities of corporate accounting information. Complete means that all information necessary to understand the phenomenon is depicted. Users’ perceptions regarding this issue are shown in the following table:

Table-7.10: Completeness of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P.Act.	Inv.	SB					
Very completely Represent	n	2	3	4	0	9	2	.622	10.74	9
	%	9.1	15.0	16.7	.0	10.1				
Completely Represent	n	14	14	18	20	66				
	%	63.6	70.0	75.0	87.0	74.2				
Incompletely Represent	n	5	1	2	2	10				
	%	22.7	5.0	8.3	8.7	11.2				
Undecided	n	1	2	0	1	4				
	%	4.5	10.0	.0	4.3	4.5				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.10 shows the users' perception about the completely represents of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 10.1% respondents' opinion information has vary completely represent; 74.2 % respondents' opinion information has completely represent; 11.2 % respondents' opinion information has incompletely represent and only 4.5% respondents' opinion information has undecided that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{17} = *There are no significant differences in perceptions of the respondent groups about the completeness of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the completeness of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the completeness of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the completeness of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 10.745, df = 9, P = 0.294 and mode=2) which indicate that there is homogeneity among the perceptions of respondents groups about the completeness of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.10 Users' perception on neutrality of voluntary information

Neutral means that information is selected and presented without bias. In other words, the information is not presented in such a manner as to bias the users' decisions. Without neutrality, information can not meet users need. Users' opinion on the neutrality of the corporate voluntary information is given in the following Table-7.11.

Table-7.11: Neutrality level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Highly Neutral	n	0	0	2	0	2	2	.68	12.75	12
	%	.0	.0	8.3	.0	2.2				
Neutral	n	12	13	16	15	56				
	%	54.5	65.0	66.7	65.2	62.9				
Partial	n	10	6	4	7	27				
	%	45.5	30.0	16.7	30.4	30.3				
Highly Partial	n	0	1	1	0	2				
	%	.0	5.0	4.2	.0	2.2				
Undecided	n	0	0	1	1	2				
	%	.0	.0	4.2	4.3	2.2				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.11 reveals the users' perception about the neutrality of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 62.9% respondents' opinion information is neutral; 30.3% respondents' opinion information is partial; 2.2% respondents' opinion information is highly neutral; 30.3% respondents' opinion information is partial and only 2.2% respondents' opinion information is undecided. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H$_{18}$ = *There are no significant differences in perceptions of the respondent groups about the neutrality of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the neutrality of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the neutrality of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the neutrality of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 12.753, df = 12, P = 0.387, mode = 2) which indicate that there is homogeneity among the perceptions of respondents groups about the neutrality of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.11Users' perception on free from error of voluntary information

Free from error is the fundamental qualities of accounting information. It means that there are no errors of commission or omission in the description of the economic phenomenon and that an appropriate process to arrive at the reported information was selected and was adhered to without error. The following table reflects the position of free from error of corporate financial statement in viewpoint of users' opinion:

Table-7.12: Free from error of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P. Act.	Inv.	SB					
Highly Free from Error	n	4	5	2	2	13	2	.46	9.34	9
	%	18.2	25.0	8.3	8.7	14.6				
Free from Error	n	17	15	21	19	72				
	%	77.3	75.0	87.5	82.6	80.9				
Partial	n	1	0	0	2	3				
	%	4.5	.0	.0	8.7	3.4				
Undecided	n	0	0	1	0	1				
	%	.0	.0	4.2	.0	1.1				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.12 shows the users’ perception about the free from error of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 14.6% respondents’ opinion information is highly free from error; 80.9% respondents’ opinion information is free from error; 3.4 % respondents’ opinion information is partial and only 1.1% respondents’ opinion information is undecided that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{19} = *There are no significant differences in perceptions of the respondent groups about the free from error of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the free from error of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents’ groups and the perceptions about the free from error of the corporate voluntary information comprised in corporate annual report in Bangladesh.
The results of the Pearson χ^2 test showed that the free from error of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 9.344, df = 9, P = 0.406, mode = 2) which indicate that there is homogeneity among the perceptions of respondents groups about the free from error of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.12 Users’ perception on comparability of voluntary information

Financial statements of one accounting period must be comparable to another in order for the users to derive meaningful conclusions about the trends in an entity's financial performance and position over time. Comparability of financial statements over different accounting periods can be ensured by the application of similar accountancy policies over a period. Users’ perceptions regarding this issue are shown in the following Table-7.13.

Table-7.13: Comparability level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P. Act.	Inv.	SB					
Inter Firm Comparable	n	8	9	13	12	42	2	.54	3.61	6
	%	36.4	45.0	54.2	52.2	47.2				
Inter Period Comparable	n	13	11	10	11	45				
	%	59.1	55.0	41.7	47.8	50.6				
Not Comparable	n	1	0	1	0	2				
	%	4.5	.0	4.2	.0	2.2				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.13 shows the users perception about the comparability of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 47.2% respondents' opinion information is inter firm comparable; 50.6% respondents' opinion information is inter period comparable and only 2.2% respondents' opinion information is undecided that incorporates in the corporate annual report of Bangladesh. In the group wise consideration, the respondents who think those are inter firm comparable, is highest (54.2) in investors followed by stock brokers (52.2%), professional accountant (45%) and Teachers (36.4%) in that order. On the other side, the respondents who think those are inter period comparable, is highest (59.1%) in teachers followed by professional accountant (55%), stock brokers (47.8%) and investors (41.7%) in that order. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H$_{20}$ = *There are no significant differences in perceptions of the respondent groups about the comparability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the comparability of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the comparability of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the comparability of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square =3.616, df = 6, P = 0.728, mode = 2) which indicate that there is homogeneity among the perceptions of respondents groups about the inter period comparability of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted

7.13 Users' perception on verifiability of the voluntary information

Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Qualified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified. Information may lose its ability to influence users' decision without verifiability. Users views about verifiability of information incorporated in the corporate annual report are shown in the Table-7.14.

Table-7.14: Verifiability level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Verifiable	n	6	5	10	9	30	2	.53	5.77	6
	%	27.3	25.0	41.7	39.1	33.7				
Partly Verifiable	n	14	15	13	14	56				
	%	63.6	75.0	54.2	60.9	62.9				
Not verifiable	n	2	0	1	0	3				
	%	9.1	.0	4.2	.0	3.4				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stock Brokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.14 shows the users' perception about the verifiability of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 33.7% respondents' opinion information is verifiable; 62.9% respondents' opinion information is partly verifiable and only 3.4 % respondents' opinion information is not verifiable that incorporates in the corporate annual report of Bangladesh. In the group wise consideration, the respondents who think those are verifiable, is highest (41.7%) in investors followed by stock brokers (39.1%), Teachers (27.3%) and professional accountant(25%) in that order. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{21} = *There are no significant differences in perceptions of the respondent groups about the verifiability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the verifiability of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the verifiability of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the verifiability of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 5.775, df = 6, P = 0.449, mode=2) which indicate that there is homogeneity among the perceptions of respondents groups about the partly verifiable of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted

7.14 Users' perception on timeliness of voluntary information

Timeliness means having information available to decision-making in time to be capable of influencing their decisions. Generally, the older the information, the less useful it is. However, some information may continue to be timely long after the end of the reporting period because, for example, some users may need to identify and assess trends. Users' perceptions regarding this issue are shown in the following Table-15.

Table-7.15: Timeliness level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P. Act.	Inv.	SB					
Timeliness	n	12	11	12	14	49	1	.54	2.89	6
	%	54.5	55.0	50.0	60.9	55.1				
Partly Timeliness	n	9	9	12	8	38				
	%	40.9	45.0	50.0	34.8	42.7				
Not Timeliness	n	1	0	0	1	2				
	%	4.5	.0	.0	4.3	2.2				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.15 reveals the users' perception about the timeliness of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 55.1% respondents' opinion information has timeliness; 42.7% respondents' opinion information has partly timeliness and only 2.2% respondents' opinion information has not timeliness. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{22} = *There are no significant differences in perceptions of the respondent groups about the timeliness of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the timeliness of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the timeliness of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the timeliness of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 2.890, df = 6, P = 0.823, mode =1) which indicate that there is homogeneity among the perceptions of respondents groups about the timeliness of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.15 Users' perception on understandability of voluntary information

The essential quality of the information provided in financial statements is that it is readily understandable by the users. For this purpose, users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. However, information about complex matters that should be included in the financial statements because of its relevance to the economic decision-making needs of users should not be excluded merely on the grounds that it may be too difficult for certain users to understand. Users view about understandability of information incorporated in the corporate annual report is shown in the following table-7.16:

Table-7.16: Understandability level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Easily understandable	n	7	4	3	3	17	2	.43	5.64	6
	%	31.8	20	12.5	13	19.1				
Understandable	n	14	16	20	20	70				
	%	63.6	80	83.3	87	78.7				
Not understandable	n	1	0	1	0	2				
	%	4.5	.0	4.2	.0	2.2				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.**= Professional Accountant; **Inv.**= Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom P=0.465

Table-7.16 reveals the users' perception about the understandability of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 19.1% respondents' opinion information is easily understandable; 78.7% respondents' opinion information is understandable and only 2.2% respondents' opinion information is not understandable. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{23} = *There are no significant differences in perceptions of the respondent groups about the understandability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the understandability of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the understandability of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the understandability of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 5.641, df = 6, P = 0.465, mode =2) which indicate that there is homogeneity among the perceptions of respondents groups about the understandability of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted

7.16 Users' perception on reliability of the voluntary information

Reliability is one of the most important qualitative characteristics of accounting information. Everybody wants to know that the accounting information should reasonably reliable. Without reliability annual report will lose its acceptability. The respondents were asked relating to the reliability of such accounting information. Respondent's observation about this issue is shown in the following Table-7.17:

Table-7.17: Reliability level of voluntary information

Particulars	n and %	Respondent Groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Reliable	n	10	7	10	11	38	2	.53	2.84	6
	%	45.5	35.0	41.7	47.8	42.7				
Partly Reliable	n	11	13	13	12	49				
	%	50	65	54.2	52.2	55.1				
Not Reliable	n	1	0	1	0	2				
	%	4.5	.0	4.2	.0	2.2				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.** = Professional Accountant; **Inv.** = Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.17 reveals the users' perception about the reliability of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 42.7% respondents' opinion information is reliable; 55.1% respondents' opinion information is partly reliable, and only 2.2% respondents' opinion information is not reliable. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{24} = *There are no significant differences in perceptions of the respondent groups about the reliability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the reliability of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the reliability of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the reliability of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 2.841, df = 6, P = 0.829, mode=2) which indicate that there is homogeneity among the perceptions of respondents groups about the partly reliable of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted

7.17: Users' perception on capability of voluntary information

Capability means accounting information is available of making a difference in the decision. Respondent's observation about this issue is shown in the following Table-7.18.

Table-7.18: Capability level of voluntary information

Particulars	n and %	Respondent groups				Total	Mode	SD	χ^2	df
		Teac	P Act.	Inv.	SB					
Highly Capable	n	2	4	2	2	10	2	.85	12.40	12
	%	9.1	20.0	8.3	8.7	11.2				
Capable	n	15	11	19	14	59				
	%	68.2	55.0	79.2	60.9	66.3				
Incapable	n	4	1	3	4	12				
	%	18.2	5.0	12.5	17.4	13.5				
Highly incapable	n	1	3	0	1	5				
	%	4.5	15.0	.0	4.3	5.6				
Neutral	n	0	1	0	2	3				
	%	.0	5.0	.0	8.7	3.4				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.** = Professional Accountant; **Inv.** = Investors; **SB** = Stockbrokers; **N** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.18 shows the users' perception about the capability of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 11.2% respondents' opinion information is highly capable; 66.3% respondents' opinion information is capable; 13.5% respondents' opinion information is incapable; 5.6% respondents' opinion information is highly incapable and only 3.4 % respondents' opinion information is neutral that incorporates in the corporate annual report of Bangladesh. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{25} = *There are no significant differences in perceptions of the respondent groups about the capability of corporate voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the capability of corporate voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the capability of the corporate voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the capability of corporate voluntary information is not statistically significant among the respondent groups at the level of 1%, 5% and 10% (Chi-Square = 12.409, df = 12, P = 0.383, mode = 2) which indicate that there is homogeneity among the perceptions of respondents groups about the capability of corporate voluntary information comprised in corporate annual report in Bangladesh. So the null hypothesis is accepted

7.18 Users' perception on the necessity of a special monitoring cell

It is assumed by many questions that the corporate voluntary disclosure practice in Bangladesh is not good at all. Several causes are responsible for this poor performance of corporate voluntary disclosure. One of them is lack of proper supervision. In this respect, the respondents were asked, whether any special monitoring cell is necessary to monitor the corporate voluntary disclosure practices or not. Respondent's observation about this issue is shown in the following Table-7.19.

Table-7.19: The necessity of a special monitoring cell

Particulars	n and %	Respondent groups				Total	Mode	SD	χ^2	df
		Teac.	P Act.	Inv.	SB					
Yes	n	20	11	21	18	70	1	.41	9.75	3
	%	90.9	55.0	87.5	78.3	78.7				
No	n	2	9	3	5	19				
	%	9.1	45.0	12.5	21.7	21.3				
Total	n	22	20	24	23	89				
	%	100	100	100	100	100				

Note: **Teac.** = Teachers; **P. Act.** = Professional Accountant; **Inv.** = Investors; **SB** = Stockbrokers; **n** = No. of respondents, **SD** = Standard Deviation, **df** = degree of freedom

Table-7.19 reveals the users' perception on the necessity of a special monitoring cell for the disclosure of voluntary information that incorporates in the corporate annual report of Bangladesh. Table shows that 78.7% of the respondents groups believe that a positive opinion on the necessity of a special monitoring cell for the disclosure of voluntary information and 21.3% think a negative opinion on the necessity of a special monitoring cell for the disclosure of voluntary information. The following null-hypothesis was drawn to ascertain whether there is any difference among user groups in this regard.

H_{26} = *There are no significant differences in perceptions of the respondent groups about the necessity of a special monitoring cell for the disclosure of voluntary information comprised in corporate annual reports in Bangladesh.*

The significance of the differences in perceptions among the respondent groups about the necessity of a special monitoring cell for the disclosure of voluntary information has been tested by undertaking a Pearson Chi-square test (χ^2) to find any relationship between respondents' groups and the perceptions about the necessity of a special monitoring cell for the disclosure of voluntary information comprised in corporate annual report in Bangladesh.

The results of the Pearson χ^2 test showed that the necessity of a special monitoring cell for the disclosure of voluntary information is not statistically significant among the respondent groups at the level of 1% (Chi-Square = 9.75, df = 3, P = 0.221, mode =1) which indicate that there is homogeneity among the perceptions of respondents groups about the necessity of a special monitoring cell for the disclosure of voluntary information in corporate annual report in Bangladesh. So the null hypothesis is accepted.

7.9 Conclusion

In this chapter, a comprehensive analysis has been made regarding the users' perception of corporate voluntary disclosure that prevalent in the corporate sectors of Bangladesh. Respondents were categorized on the basis of their occupation such as professional accountant, teacher, investor and stock broker. The Chi-square tests were carried out to test the nominated null-hypotheses. The results of the Pearson χ^2 test showed that respondents' perception is satisfactory on most of the aspects of corporate voluntary information comprised in corporate annual reports and respondents' perception is dissatisfactory on some aspects of corporate voluntary information comprised in corporate annual reports in Bangladesh. Such dissatisfaction indicates that corporate voluntary disclosures are not capable of meeting the users' information needs. Thus appropriate remedial measures should be taken for improving the quality of corporate voluntary disclosure as early as possible.

CHAPTER-8

Summary, contributions, limitations and directions for further research

CHAPTER-8

Summary, Contributions, Limitations and Directions for Further Research

8. Introduction

This chapter summarizes the study by revisiting the purpose of the study in Section 8.1 and summarizing the main objectives, methods, questions and conclusion. Section 8.2 concludes the thesis by summarizing the contribution made by this study to the voluntary disclosure literature. Section 8.3 addresses the limitations of the study in respect of research design. The chapter trimmings with suggestions for further research are explored in Section 8.4.

8.1 Summary of the research objectives, methods and findings on the basis of questions

8.1.1 Research objectives

The research objectives, as previously explained in section 1.5, are as follows:

Objective-1: To examine the voluntary disclosure practices by listed companies in Bangladesh

Objective-2: To identify the nature and extent of voluntary disclosure of information made by the listed companies in Bangladesh.

Objective-3: To examine whether the level of voluntary disclosure has changed over time.

Objective-4: To examine the association between firm-specific characteristics, corporate governance attributes and voluntary disclosure of listed companies in Bangladesh.

Objective-5: To know the users' perception regarding the voluntary disclosure practices by the listed companies operating in Bangladesh

8.1.2 Research methods

The main research methods developed in this study were as follows:

In order to provide the best understanding of research problems, this study applied quantitative and qualitative methods. Therefore, the data were obtained from both primary (interview findings) and secondary sources (annual reports). A sample of 106 non-financial companies listed on Dhaka Stock Exchange (DSE) was selected by judgmental sampling over the period of 2007 to 2011. Secondary data and primary data collections were conducted separately from examination of annual reports using the voluntary disclosure checklist and semi-structured questionnaire. This research is also carried out by un-weighted index to measure the extent of voluntary disclosure. The study uses univariate and multivariate analysis to examine the association of firm specific characteristics and corporate governance factors with the level of voluntary disclosure in the annual reports of listed non-financial companies in Bangladesh.

8.1.3 Research findings founded on questions:

The aim of the study was to answer the sub research questions delineated from each of the main research questions:

"What are the factors that influence listed companies in Bangladesh to disclose voluntary information in their annual reports?"

Research sub question-1: What is the level of voluntary disclosures? How can disclosure be measured?

➡ The level of voluntary disclosure refers to information made available at the good judgment about the corporation. It is influenced by changes in the attitudes in society, economic factors and behavioral factors such as the particular corporate culture. Voluntary disclosure items may be classified into historical, current and predictive items, depending on the past, present or envisaged performance of the company. In other words, the extent of voluntary disclosure is to disclose more information based on managerial incentives. The level of voluntary disclosure of the sample firms in this study was measured by using a disclosure index that was developed in conformity with the disclosure checklist used by Akhtaruddin, (2009), Chau and Gray (2002), Ho and Wong (2001), and Ferguson, Lam and Lee (2002).

A total of 91 items were identified in compliance with voluntary disclosure items provided by listed firms in Bangladesh. These items were then compared with listing requirements on Dhaka stock exchange (DSE) and a mandatory disclosure checklist prepared by Akhtaruddin (2005) in Bangladesh. Since the focus of this research is voluntary disclosure, the preliminary list of 91 items was subjected to a thorough selection to eliminate those that are mandated. This list was sent to various experts (professor, professional chartered accountant & cost and management accountant etc.) for selection and as a result of their feedback, the initial list of 91 items was reduced to 68 items. The disclosure items are classified into thirteen categories: general corporate information, corporate strategic information, corporate governance information, financial information, financial review information, foreign currency information, segmental information, employee information, research & development information, future forecast information, share price information, social responsibility information and graphical information.

Research sub question-2: What is the regulatory environment of corporate governance in the capital market in Bangladesh?

➡ Good corporate governance is a vital issue for corporate success of any country. But there is lack of good governance in the corporate sector of Bangladesh. All corporate governance systems revolve around four core principles: Fairness, accountability, responsibility and transparency. The specific challenges of upholding these principles depend on the ownership structure of the corporate sector. Furthermore, there is a family culture in the governing activities of the joint stock companies in Bangladesh. The Companies Act, 1994 provides provisions regarding preparation and publication of financial statements, disclosures and auditing. However, in many cases, the Act lacks clarity concerning statutory requirements on disclosures in the financial statements of listed companies. Moreover, some accounting requirements mentioned in the Act are incompatible with International Accounting Standards (IAS) which is required by the SEC.

Research sub question-3: How are the variations in corporate voluntary disclosure practices of Bangladeshi listed companies explained by relevant theoretical framework?

➡ There are several reasons that lead companies to disclose information in excess of requirements, i.e.; there are several motivations for voluntary disclosure. In this context, a number of theories arise that attempt to justify this behavior by firms such as agency theory, signaling theory, legitimacy theory, stakeholder theory.

The agency theory is "a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent". The theory models the relationship and conflict of interest between the principal and the agent. In the context of the firm, the agent (manager) acts on behalf of the principal (shareholders). A major issue with respect to the firm is the information irregularity between managers and shareholders. In this agency relationship, insiders (managers) have an information advantage because owners cannot accurately evaluate and determine the value of decision-making. So to mitigate these agent-shareholder conflicts, formal contracts are thus negotiated.

The signaling theory assumes that firms with higher performance use financial information as a tool to transmit signals to the market. Signaling theory is useful for describing the behavior when two parties (individuals or organizations) have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver must choose how to interpret the signal. Signaling theory is focused on information asymmetry among parties that are involved in the allocation of firm funds. Financial markets are based on contractual relationships that occur under conflicting conditions where, if one market player benefits, another loses.

Signaling theory transmit signals to the market about the performance of company. In case of good performance of the company, signaling theory provide good signal to the market. On the other hand, in case of bad performance of the company, signaling theory provide bad signal to the market.

The legitimacy theory is based on the notion of a social contract that exists between the organization and society. Companies operate under the rules and limits of the societies in which they operate. Thus, the companies will have to be sure that its activities are in agreement, or are perceived as being in agreement, with the norms and values of the society, to prevent the interruption of the contract, losing its legitimacy. If the societies where they are inserted realize that the company is operating according to a set of values that are beneficial to society. Thus, companies can establish their legitimacy by matching their performance with the expectations and perceptions of society itself. Legitimacy problems occur when there is a gap between society's expectations and the perceptions of the social behavior of the company. In short, the theory of legitimacy comprises two essential factors. Firstly, the activities developed by companies must be in accordance with social values of the society in which it operates. Secondly, those activities must be submitted to the society through the disclosure made by the company.

Stakeholder theory is of managerial in that it recommends attitudes, structures, and practices and requires that simultaneous attention be given to the interests of all legitimate stakeholders. Stakeholder theory is that an organization can enhance the interest of its stakeholders without damaging the interests of its wider stakeholders. Stakeholder theory is allocating importance to the value of different groups of stakeholders. Any organization or person that can affect or be affected by the policies or activities of any entity is called stakeholders.

Research sub question-4: To what level did voluntary disclosures of listed companies change over the period of study (2007-2011)?

➡ Empirical findings from the content analysis of the annual reports 2007-2011 reveal that the average level of voluntary disclosure in the sample companies is 42.85%. The highest score achieved by a firm is 72.35% and the lowest score is 18.24% with a standard deviation of 13.94%. The firms are widely distributed with regard to voluntary disclosure. It is consistent with Hossain and Hammami (2009) in Qatar (36.84%), Akhtaruddin, *et al.,* (2009) in Malaysia (53.20%) and Al-Shammari (2008) in Kuwait (46%).

The results from the trend of voluntary disclosure index indicate that the average of voluntary disclosure items of the listed companies are 41.13% in the year 2007, 41.87% in the year 2008; 42.78 % in the year 2009; 43.8% in the year 2010 and 44.69% in the year 2011. In aggregate, the voluntary disclosure items had an increasing trend during the period of review

Research sub question-5: What are the variables significantly associated with the level of voluntary disclosure?

➡ The results indicate an R-square of 0.554, and an F value of 13.248, which are significant at the level of 0.000. Both of the values indicate that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables.

Total asset is a significant firm specific variable. The hypothesis of the variable is: **H_1**: Total assets of a firm are positively associated with the level of voluntary disclosures. If the independent variable TA is increased by one unit then the dependent variable will also increase by 0.421 with SE = 0.000, Beta t value = 3.584 and significance at the level of 0.001. The result indicates that total assets of a firm are positively associated with the level voluntary disclosure which supports the hypothesis and is similar to the Aripin, et al.,2008;Watson et al., 2002; Da-Silva & Christensen, 2004; Wallace et al.,1994; Samir, et al.,2003; Ho and Wong, 2001.

The percentage of the female directors to the directors on the board is a significant corporate governance variable. The hypothesis of the variable is: **H_5**: A higher proportion of female directors on a board are positively related to the level of voluntary disclosure. The regression coefficient for the variable is 0.241, which is positive and statistically significant at the level of 0.001 ($P<0.01$, two-tailed). The result indicates that the percentage of female directors in the board of a firm is positively associated with the level voluntary disclosure of information which supports the hypothesis.

Board leadership structure is another significant corporate governance variable. The hypothesis of the variable is: **H_7**: Dual leadership structure of a firm is positively related to the level of voluntary disclosure. The regression coefficient for the variable is 0.224, which is positive and statistically significant at the level of 0.003 ($P<0.01$, two-tailed). The result indicates that dual leadership structure of a firm is positively related to the extent of voluntary disclosure which supports the hypothesis.

Ownership structure (the percentage of equity owned by the insiders to an all equity firm) is the most significant corporate governance variable. The hypothesis of the variable is: **H_9**: The percentage of equity of insiders (top level management) of a firm is negatively associated with the level of voluntary disclosures. The regression coefficient for the variable is -0.404, which is negative and statistically significant at the level 0.000 ($P<0.01$, two-tailed). The result indicates that the hypothesis H_9, the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the extent of voluntary disclosure which supports the hypothesis and is similar to Hossain, et al.(1995); Haniffa and Cooke,(2002); Akhtaruddin, et al.(2009); Chau and Gary,(2002); Ho and Wong,(2001) Forker, 1992 and is dissimilar to Hongxia and Ainian,(2008); Gerald and Sidney,(2002); Richard Pike, et al.,(2008).

Research sub question-6: What is the users' perception about corporate voluntary disclosure in Bangladesh?

➡ In order to understand the perceptions of various user groups about the importance of the selected items of voluntary information in the annual reports of the non-financial companies a questionnaire survey was constituted. User groups were categorized on the basis of their occupation as like professional accountant, teacher, investor and stockbroker. The Chi-square tests were carried out to test the null-hypotheses. The results of the Pearson χ^2 test showed that respondents' perception is satisfactory on most of the aspects of corporate voluntary information comprised in corporate annual reports and respondents' perception is dissatisfactory on some aspects of corporate voluntary information comprised in corporate annual reports in Bangladesh. Such dissatisfaction indicates that the existing corporate voluntary information practices are not capable of meeting the users' information needs. Thus appropriate remedial measures should be taken for improving the quality of corporate voluntary disclosure as early as possible.

8.1.4 Conclusion

This study is an extension of previous research where a set of corporate governance variables is considered to examine their association with the level of voluntary disclosure. The main objective of this study is to examine the firm-specific characteristics, corporate governance factors and their influence on voluntary disclosure in annual reports of listed companies in Bangladesh. The factors examined are firm size, profitability, percentage of female director, percentage of independent director, board leadership structure, and board size and ownership structure. The result indicates that the total assets, percentage of female directors, board leadership structure are positively associated with the level of voluntary disclosure. The result also indicates that the percentage of equity owned by the insiders (top level management) of a firm is negatively associated with the level of voluntary disclosures.

The findings of the opinion survey show that respondents' perception is satisfactory on most of the aspects of corporate voluntary information comprised in corporate annual reports and respondents' perception is dissatisfactory on some aspects of corporate voluntary information comprised in corporate annual reports.

Overall, the findings of this study contribute to the existing literature by providing empirical evidence on corporate voluntary disclosure in annual reports of listed companies in Bangladesh. Results from statistical analysis, together with perceptions of the respondents interviewed, provide a better understanding of corporate voluntary disclosure practices in Bangladesh. Therefore, the findings of this study have important implications for regulatory authority, enforcement agencies such as ICMAB, ICAB, SEC, DSE, policy makers, shareholders and others who have interest in corporate voluntary disclosure.

The major limitation of the study is that the sample has been taken only from the nonfinancial listed companies excluding financial companies and only the level of corporate voluntary disclosure is measured ignoring the level of mandatory disclosure.

8.2 Contributions to the existing stock of knowledge

This research makes theoretical and practical contributions to the field of Accounting and Information Systems (AIS). Generally, findings of this study contribute to the literature by providing empirical evidence on corporate voluntary disclosure practices of DSE listed companies in Bangladesh. Results from statistical analysis, together with perceptions of individuals interviewed, provide a better understanding of corporate voluntary disclosure practices in Bangladesh. This study has the following specific contributions:

- The finding of this study has contributions for the regulatory and enforcement agencies such as Institute of Cost and Management Accountants of Bangladesh (ICMAB), Institute of Chartered Accountants of Bangladesh (ICAB), the Securities and Exchange Commission (SEC) and the Dhaka Stock Exchange (DSE).
- It provides evidence to support the regulatory bodies' actions in promoting and implementing good corporate governance among listed firms.

- It provides a significant benefit to users of corporate voluntary information because it could help them estimate types and extent of information provided by listed companies.
- It also provides implication for listed companies about the importance of corporate transparency and disclosure, which can lead to higher firm value and can be used as a tool to differentiate well governed firms from companies that do not practice good corporate governance.
- In this study, the negative association between internal ownership and voluntary disclosure found that internal ownership has become an important factor which hampers the disclosure transparency of the listed firms.
- Academics would use this dissertation while conducting research on corporate disclosure.
- Practitioners could appropriately better realize the trends of disclosure over the period under study.

The findings of this study have important implications for regulatory authority, policy makers, shareholders and others who have interest in corporate voluntary disclosure.

8.3 Limitations of the study

The limitations of this study are as fallows.

i. The study has been conducted by using sample not population.
ii. The sample has been taken only from the nonfinancial listed companies excluding financial companies. Thus, the findings of the study may not be applicable to non-listed companies and listed financial companies in Bangladesh.
iii. Under the study, only the level of corporate voluntary disclosure is measured ignoring the level of mandatory disclosure.
iv. In the study, voluntary disclosure index has been prepared by using the information provided by the respected companies in their annual reports. Thus, the disclosure index as well as the finding of the study may be

affected if the information provided in the annual reports is manipulated by the companies.

8.4 Directions for further study

In view of the limitations of this research, the following directions are recommended for further study:

- This study explores only non-financial companies listed on the Dhaka Stock Exchange. Future research could investigate the extent of disclosure for both financial and non-financial companies.
- This study explores only 70.67% of the non-financial companies listed on the Dhaka Stock Exchange for the period of 2007-2011. Future research could investigate the extent of disclosure for all the listed companies
- The study explores only nine independent variables, other factors influencing corporate voluntary disclosure such as number of foreign shareholders, institutional shareholders, company age, higher education and auditors' opinion could be explored in further studies.
- The opinion survey of 89 professional accountants, investors, stockbrokers and teachers is used for the study. Future research can consider increasing the scope to include creditors, financial analysts and other related parties. This will provide additional evidence on corporate voluntary disclosure practices in Bangladesh.

APPENDICES

Appendix-1:

Voluntary Disclosure Check List in Annual Reports of Bangladesh

1. General Corporate Information

1. Company's mission statement
2. Brief history of the company
3. Corporate structure / chart
4. Description of major goods/services produced
5. Stock exchanges on which shares are held

2. Corporate Strategic Information

6. Statement of corporate strategy and objectives –general
7. Statement of corporate strategy and objectives –financial
8. Statement of corporate strategy and objectives –marketing
9. Statement of corporate strategy and objectives –social
10. Impact of strategy on current performance

3. Corporate Governance/Directors Information

11. Name of principal shareholders
12. List of Directors
13. Shares held by directors of the company
14. Meeting held and Attendance
15. Educational qualifications of the directors
16. Experience of the directors
17. Position or office held by executive directors
18. Other directorship held by executive directors
19. Remuneration of the directors

4. Financial Information

20. Amount and sources of revenue
21. Sources of raw materials
22. Dividend payout policy
23. Retained earnings
24. Unit selling price
25. Growth in units sold
26. Foreign currency information
27. Intangible assets break-down
28. Policies regarding the amortization of intangible assets

5. Financial Review Information

29. Liquidity ratios

30. Debt / equity ratio
31. Return on capital employed
32. Return on shareholders' equity
33. Net tangible assets per share
34. Dividend per ordinary share for the period
35. Effects of inflation on future operations- qualitative
36. Effects of interest rates on results

6. Foreign Currency Information

37. Effects of foreign currency fluctuations on future operation-qualitative
38. Effects of foreign currency fluctuations on current results-qualitative

7. Segmental Information

39. Competitor analysis- quantitative
40. Competitor analysis- qualitative
41. Market share analysis- quantitative
42. Market share analysis- qualitative

8. Employee Information

43. Total number of employees for the company
44. Average compensation per employee costs
45. Category of employees by sex
46. Number of employees trained
47. Welfare information
48. Policy on employee training
49. Data on accidents

9. Research and development Information

50. Description of Research and development projects
51. Corporate policy on Research and development

10. Future Forecast Information

52. Market share forecast
53. Future cash flow forecast
54. Sales forecast
55. Profit forecast
56. Compared former earnings forecast date
57. Compared former sales forecast date
58. Capital expenditure and R &D expenditure forecast

11. Share price Information

59. Sales amount changes and explanations

60. Operating income changes and explanations
61. Gross profit changes and explanations
62. Accounts receivables changes and explanations
63. Inventory changes and explanations

12. Social Responsibility Information

64. Information on safety measures
65. Environmental protection programs
66. Information on community services

13. Graphic Information

67. Graphic presentation of financial information
68. Graphic presentation of non- financial information

Appendix-2:

QUESTIONNAIRE

(Users' perception about the voluntary information in the annual reports of listed non-financial companies in Bangladesh)

Declaration

It is ensured that all your personal profile and information would be concealed.

Please give your answers and opinions without hesitation because it is simply a research work. Please provide your answer by your own ideas. You are cordially requested not to be influenced by others to give the answers. Your cooperation is very essential for us.

Thank you for your nice cooperation.

Md. Abdur Rouf

(Part-A)

1. Name of respondent :
2. Occupation :
3. Company / Institution name :
4. Length of service : Year………………..Months……………………….
5. Age Group of the respondents:

Years

- ☐ Below- 25
- ☐ 25----30
- ☐ 30 —35
- ☐ 35--- 40
- ☐ 40-- -45
- ☐ 45---50
- ☐ 50 and above

6. What is your highest academic qualification?

- ☐ Diploma or Lower
- ☐ Bachelor or Equivalent
- ☐ Master or Equivalent
- ☐ PhD or Equivalent
- ☐ Other (Please specify)

7. How many years of experience do you possess in you current position?

- ☐ Below - 2 Years
- ☐ 2 -- 5 Years
- ☐ 5 – 7 Years
- ☐ 7 - 10 Years
- ☐ 10 Years and more

(Part-B)

(Please give a tick mark in the box provided in the below of each alternative)

8. To what extent you are dependent on voluntary information provide in the annual report in your decision making?

☐ Highly Dependent ☐ Dependent ☐ Less Dependent
☐ Not Dependent

9. What do you want to know about the voluntary information from the annual report?

☐ General Information ☐ Financial Information ☐ Director Information
☐ Share Price Information ☐ Marketing Information

10. What do you want to know about the corporate governance information from the annual report?

☐ Independent Director ☐ Board Size ☐ Board Leadership Structure
☐ Ownership structure ☐ Board Audit Committee

11. Do you think that the voluntary information in the annual report is relevant?

☐ Relevant ☐ Partly Relevant ☐ Not Relevant

12. Do you think that the voluntary information in the annual report has predictive value (useful in making forecasts)?

☐ Predictive value ☐ Partly predictive value ☐ Not predictive value

13. Do you think that the voluntary information in the annual report has confirmatory value (useful to evaluate past decisions)?

☐ Confirmatory value ☐ Partly confirmatory value ☐ Not confirmatory value

14. Do you think that the voluntary information in the annual report is material?

☐ Material ☐ Partly Material ☐ Not Material

15. Do you think that the voluntary information in the annual report has faithfulness?

☐ Very Faithfully Represent ☐ Faithfully Represent ☐ Unfaithfully Represent
☐ Undecided

16. Do you think that the voluntary information in the annual report has completeness?

☐ Very completely Represent ☐ Completely Represent
☐ Incompletely Represent ☐ Undecided

17. Do you think that the voluntary information in the annual report is neutral?

☐ Highly neutral ☐ Neutral ☐ Partial ☐ Highly Partial ☐ Undecided

18. Do you think that the voluntary information in the annual report is free from error?

☐ Highly free from error ☐ Partial ☐ Highly Partial ☐ Undecided

19. Do you think that the voluntary information in the annual report is comparable?

☐ Inter Firm Comparable ☐ Inter Period Comparable ☐ No Comparable

20. Do you think that the voluntary information in the annual report is verifiable?

☐ Verifiable ☐ Partly Verifiable ☐ Not Verifiable

21. Do you think that the voluntary information in the annual report has timeliness?

☐ Timeliness ☐ Partly Timeliness ☐ Not Timeliness

22. Do you think that the voluntary information in the annual report is understandable?

☐ Easily understandable ☐ Understandable ☐ Not understandable

23. Do you think that the voluntary information in the annual report is reliable?

☐ Reliable ☐ Partly Reliable ☐ Not Reliable

24. Do you think that the voluntary information in the annual report is capable of existing legal provision to protect the user's interest?

☐ Highly capable ☐ Capable ☐ Incapable ☐ Highly incapable

☐ Neutral

25. Is it necessary to establish a special cell to monitor the disclosure of voluntary information in the annual report?

☐ Yes ☐ No

26. Please provide any other item(s) of information which you think are most important for user's perception about voluntary disclosure in annual reports of Bangladesh but not included above. Please mention below-

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