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| UNIVERSITY OF SOUTHAMPTON  FACULTY OF BUSINESS AND LAW  Southampton Business School |
| Determinants of Quality of Corporate Voluntary Disclosure in Emerging countries: A Cross National Study  by  Majedh M. ALASIRY |
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UNIVERSITY OF SOUTHAMPTON

FACULTY OF BUSINESS AND LAW

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Determinants of Quality of Corporate Voluntary Disclosure in Emerging countries: A Cross National Study

Majedh M. ALASIRY

ABSTRACT

The generalisability of much published research on corporate voluntary disclosure is problematic because there are many corporate and country level factors related to corporate voluntary disclosure: these factors have mainly been investigated in developed countries. Corporate voluntary disclosure is the disclosure of more corporate information than is legally required. Much research has focused on determinants of the quantity of corporate disclosure, while few studies have researched determinants of the quality of corporate voluntary disclosure. Quantity of corporate voluntary disclosure is measured by merely disclosing a particular item of information, whereas provision of additional information about a particular item that qualifies the level of the disclosure determines the quality of corporate voluntary disclosure. The limited research to date has not proven whether determinants of the quantity of corporate voluntary disclosure may also explain the variation of quality of corporate voluntary disclosure.

Moreover, many of the existing studies of determinants of corporate voluntary disclosures are from developed countries. However, according to New Institutional Theory and Resource Dependency Theory, these results many not be applicable in developing countries. Finally, there are few cross-countries studies examining the quantity of corporate voluntary disclosure studies, and even fewer prior cross-countries studies on the quality of corporate voluntary disclosure particularly. It is the belief of the current research that the relationships between the quality of corporate voluntary disclosure and national legal systems, the financial expertise of directors, and audit committees have not previously been studied.

Consequently, this thesis sought to examine factors relating mainly to the quality of corporate voluntary disclosure in ten developing countries: Turkey, Singapore, Malaysia, India, Ghana, Nigeria, South Africa, Brazil, Mexico and Chile. Unambiguously, the thesis interest was to examine how firm level factors are related to the quantity and quality of voluntary disclosure, as shown in annual reports. Also, it analyses how country level factors are associated with the quantity and quality of voluntary disclosure. New Institutional Sociology, Resource Dependence, and Agency theories have been used to explain these relationships.

Methodologically, the quality and quantity of corporate voluntary disclosure was extracted from 600 corporate annual reports, taken from 300 randomly selected companies from 10 countries for the years 2011 and 2012. Then, an un-weighted corporate voluntary disclosure index measured both the quality and quantity of corporate voluntary disclosure.

Results from multiple linear regression models show that share diffusion ownership was positively related to the quantity of corporate voluntary disclosure, as were the country level of press freedom, accounting professionalism and tertiary education.

Share diffusion ownership, and country level of accounting professionalism, were negatively related to the quality of corporate voluntary disclosure. However, being audited by the big four auditing firms, and country level of tertiary education disclosure, were positively correlated with the quality of corporate voluntary disclosure.

The results of percentage of audit committee on board directors, the percentage of board directors who have financial expertise, and the percentage of independent board directors were not related to either the quality or quantity of corporate voluntary disclosure.

These results imply that regulators should focus their enforcement efforts on corporate bodies who are likely to have limited voluntary disclosure, to reduce enforcement costs. This means that governments, regulatory bodies and industrial associations should ensure that there is press freedom, professionalism, economic development and high educational levels in order to motivate corporations to disclose corporate information voluntarily.

This thesis contributes to the literature in four main ways, through its investigation of the quality of corporate voluntary disclosure, contextually, its reconciliation of contradictory previous results and its offering of policy implications for regulators.

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DECLARATION OF AUTHORSHIP

I, Majedh Alasiry declare that this thesis titled Determinants of Quality of Corporate Voluntary Disclosure in Emerging Economies: A Cross National Study and the work presented in it is my own and has been generated by me as the result of my own original research. I confirm that:

1. This work was done wholly or mainly while in candidature for a research degree at this University;
2. Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
3. Where I have consulted the published work of others, this is always clearly attributed;
4. Where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;
5. I have acknowledged all main sources of help;
6. Where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
7. None of this work has been published before submission.

Signed:

Date:

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Abbreviations

ACCA Association of Chartered Certified Accountants

AIMR Association for Investment Management and Research

CEO Chief Executive Officer

GNI Gross National Income

IAS International Accounting Standards

IFRS International Financial Reporting Standards

IMF International Monetary Fund

NIS New Institutional Sociology

SIC Standard Industrial Classification

UNESCO United Nations Educational, Scientific and Cultural Organisation

# Introduction

## Overview of the Chapter

The introductory chapter sets out the background of the thesis and the research problem, motivation of the study, thesis objectives and thesis questions. Additionally, it justifies the research; it reviews the adopted research approach and discusses the parameters of the study.

## Background to the Thesis and Research Problem

There is increasing attention focused on corporate information disclosure in annual reports, as it has been argued that the absence of symmetry information or insufficient, disclosure may potentially trigger major economic and firm level problems. For example, it is contended that adequate corporate disclosure could have prevented the Asian financial crisis, by warning investors and regulators of the approaching crisis (Goldstein, 1998; Rajan and Zingales, 1998; Gul and Leung, 2004; Leuz and Wysocki, 2008; Akhtaruddin *et al.,* 2009, Dhaliwal *et al.,* 2012, Mateescu, 2015). In addition, poor disclosure causes corporate failure and financial reporting fraud, as managers can potentially misrepresent information (Akhtaruddin, *et al.,* 2009, Al-Janadi, *et al.,* 2013, Abraham, *et al.,* 2015). Consequently, the disclosure of information helps in reducing the information gap between managers and external stakeholders: shareholders, government, creditors and other interested parties (Gul and Leung, 2004, Barako *et al.,* 2006, Reverte, 2009, Hahn and Lülfs 2014).

Corporate information disclosure is the means of providing financial, and other, information through ‘annual reports’, ‘conference calls’, ‘analyst presentations’, and ‘interim reports’ to interested parties (Gibbins *et al.,* 1990; Healy and Palepu, 2001; Watson *et al.,* 2002; Hassan and Marston, 2010, Allegrini and Greco 2013, Gallego-Álvarez and Quina-Custodio 2016). However, corporate disclosure is a key source of information (Botosan and Plumlee, 2002, Yongvanich and Guthrie 2007, Dhaliwal, 2011, Rouf *et al.,* 2014). Annual reports supply crucial data to external parties (Ho and Shun Wong, 2001a; Hail, 2002), and the disclosure in annual reports strengthens corporate accountability (Mohamad and Sulong, 2010). Typically, the information provided in corporate annual reports can be classified either as voluntary or mandatory disclosure. In this respect, corporate voluntary disclosure refers to the provision of extra financial or non-financial information in annual reports, beyond that which is required by accounting standards or regulations, to enable stakeholders to make informed decisions (Watson *et al.,* 2002: Cooke, 1989; Hossain et al., 1994; Meek et al., 1995; Tian and Chen, 2009; Jones and Finley, 2011).

In contrast, the provision of compulsory information in the financial reports is known as mandatory disclosure (Tian and Chen, 2009). While corporate voluntary disclosure may contain some information providing expectations of company strategies, research and development, and analysis of its investments and financial information, mandatory disclosure provides information that is required by company law, such as descriptions of the most important transactions that have happened in a financial year (Einhorn, 2005; Adina and Ion, 2008; Polinsky and Shavell, 2012).

Corporate voluntary disclosure is a topical issue for several reasons. Firstly, it helps financial analysts to provide better financial and non-financial projections of companies (Williams, 1999). Therefore, the provision of a high level of information in the annual reports increases the effectiveness of the financial analysis process, because the more information that is available to financial analysts, the better their projections will be (Bailey *et al.,* 2003; Yu, 2008; Broberg *et al.,* 2010). However, the level of disclosed information relies on policies relating to corporate voluntary disclosure (Hutton, 2005; Anantharaman and Zhang, 2011). Consequently, corporate voluntary disclosure improves the work of analysts.

Additionally, the share price is a reflection of corporate performance and significantly signals future performance (Eng and Mak, 2003; Haggard Martin and Pereira, 2008; Bischof and Daske, 2013). For example, a low share price may indicate a high risk to shareholders’ capital (Fornell et al., 2006; Ullmann, 1985; Lang and Lundholm, 2000). Subsequently, companies may improve their corporate voluntary disclosure to satisfy stakeholder concerns about a low share price and weak financial performance (Healy and Palepu, 2001). Furthermore, when a corporation is not profitable, or is new in a market, it might voluntarily provide more information than a profitable or mature corporate to reassure its stakeholders (Graham *et al.,* 2005).

In particular, according to agency theory, a corporation may voluntarily disclose more information in its annual reports to reduce managers’ self-interested behaviour through enhanced monitoring (Healy and Palepu, 2001; Mangos and Lewis, 1995), and to hold agents accountable for their actions (Gray *et al.,* 1996). Subsequently, this increased disclosure reduces agency costs, which are associated with monitoring the activities of managers, because principals can easily see what is happening in a corporation (Schipper, 1981).

Secondly, corporate voluntary disclosure indicates how transparent companies are (Bushman et al., 2004, Bhat et al., 2006, Samaha and Dahawy, 2010, Han *et al.,* 2012, Cannizzaro and Weiner 2015). The transparency, in turn, not only satisfies corporate stakeholders’ needs for more information, but it may also reduce uncertainty and the firm’s capital costs (Ho and Tower, 2011, Petersen and Plenborg, 2006). Furthermore, high transparency can increase the liquidity of the share price and, subsequently, the shareholders’ confidence in corporate performance might increase (Baiman and Verrecchia, 1996). Corporate voluntary disclosure also decreases the information risk regarding a firm’s expected profit (Graham et al. 2005). Consequently, corporate voluntary disclosure is a device that proxies for the level of firm transparency, which may assist investors in making economic decisions by reducing agency problems (Naser *et al.,* 2006) and reassuring investors that management is acting in their interest (Watson *et al.,* 2002).

Thirdly, corporate voluntary disclosure reduces the information asymmetry problem. Information asymmetry occurs when managers have relevant information, which is hidden from financial stakeholders (Rasmusen and Blackwell, 1994Healy and Palepu, 2001). The reduction of information asymmetry is an important function of corporate voluntary disclosure, because it can fill the gap in the information omitted by mandatory disclosure (Polinsky and Shavel, 2012; Fishman and Hagerty, 2003). Furthermore, the information asymmetry problem may reduce the liquidity of shares, decrease share prices (bid-ask spread). Thus, solving the information asymmetry problem can reduce the cost of employees’ stock compensation programmes and accusations of insider trading (Cormier et al., 2010, Healy and Palepu, 2001; Aboody and Kasznik, 2000; Miller and Piotroski, 2000; Kanagaretnam *et al.,* 2007). Also, Healy and Palepu (2001) have argued that investors may give equal weight to ‘good’ and ‘bad’ investment projects if the investors lack full information about both of the projects (i.e. good or bad). Therefore, it is critical to manage the information asymmetry problem. An addition, Belkaoui and Karpik (1989) proposed that agents may be motivated into revealing more information than required in order to minimise interference by principals, as the disclosure may satisfy the principals that the agents are working in their interests.

Moreover, additional information about the qualifications and talent of the management team can indicate the potential of future performance and send positive signals to their stakeholders (Trueman, 1986; Healy and Palepu, 2001; Chavent et al., 2006; Zadeh and Eskandari, 2012; Graham, 2005).

In addition, according to the Resource Dependence Theory, corporate voluntary disclosure practices is a way of obtaining resources from external parties, as the parties may need more information before surrendering their resources to an organisation. Resource Dependence Theory explains how organisations are related in connection to resources (Johnson Jr, 1995; Hillman *et al.,* 2009). It can be argued that it attempts to describe organisational and inter-organisational actions in terms of dependence on, or control of , the resources that organisations need to gain to survive (Johnson Jr, 1995; Hillman *et al.,* 2000; Davis and Cobb, 2010). Resources are defined as the tangible and intangible resources that an organisation needs in order to continue its operations (Barney, 2001; Barney and Arikan, 2001). There are many forms of resource that organisations may need in order to survive. These resources might include raw materials, financial resources, human resources, information, technology, input or output services, and machines (Galaskiewicz and Marsden, 1978).

In addition, Resource Dependence Theory may explain corporate voluntary disclosure practices, as external parties may need more information before surrendering their resources to an organisation. For instance, financial institutions, such as the World Bank or the International Monetary Fund (IMF) and other organizations, may require more corporate disclosure before funding an organization (Rahaman *et al.,* 2004 ; Elsayed and Hoque, 2010). It was found that the further requirement of corporate disclosure by the World Bank increased environmental disclosure in Ghana (Rahaman *et al.,* 2004). Similarly, organizations are interested in improving their corporate voluntary disclosure to reduce the costs of raising additional funds, as further disclosure may reduce perceived risks of investment (Hail, 2002; Francis *et al.,* 2008; Kothari *et al.,* 2009; Dhaliwal *et al.,* 2011). Also, Lang and Lundholm (1996) found that corporate voluntary disclosure is likely to increase the probability of raising additional funds at the time of the initial public offer.

Likewise, some companies use corporate voluntary disclosure to recognize and identify their relationship with stakeholders through the disclosure of their social and economic responsibility (Freeman, 1983; Ansof f, 1987; Roberts, 1992). Therefore, stakeholders would try to exert influence on firms in order to protect their interests (Donaldson and Preston, 1995), and hold corporates accountable for their actions (Gray *et al.,* 1996). Specifically, Donaldson and Preston (1995) argued that all these stakeholders are interested in knowing is how they are affected by company activities. Consequently, to allay the concerns of these interested financial stakeholders, companies may decide to voluntarily disclose more information to assure them that their interests are protected (Meek *et al.,* 1995; Boesso and Kumar, 2007).

Extending this, New Institutional Theory proclaims that corporate voluntary disclosure practices enhance corporate legitimacy in the environment in which they operate (Gray *et al.,* 1995; Choi and Meek, 2005; Dong and Stettler, 2011). Specifically, Dong and Stettler (2011) argued that corporate disclosure practices of a specific country reflect the needs of the recipients of the information through coercive, mimetic and normative isomorphism. Coercively, governments provide rules, which may state how disclosure of corporate information must be undertaken in annual reports, for instance (DiMaggio and Powell, 1983; Patterson, 2001; Touron, 2005 and Deephouse and Suchman, 2008). These rules normally impose penalties on those who do not comply. Consequently, corporates have to comply with the political influences to legitimatize their activities.

On the other hand, mimetic isomorphism is a reaction to uncertainty and pursuing legitimacy through copying the behaviour and internal structures of other organisations (Dowling and Pfeffer, 1975; DiMaggio and Powell, 1983; Haveman, 1993; Suddaby, 2010). Organisations tend to imitate successful organisational strategies in a specific industry to solve their own uncertainties. For instance, the discovery of cheap production methods in an industry may be copied by other organisations when competition in the industry is high. Consequently, mimetic isomorphism comprises three elements: an uncertain situation, a copied and adopted model, and a mechanism that associates these two elements (Touron, 2005).

Finally, normative isomorphism refers to organisations pursuing legitimacy by following guidance from professional institutions, such as that given by the Association of Chartered Certified Accountants (ACCA), or consultants’ suggestions (DiMaggio and Powell, 1983; Mizruchi and Fein, 1999). In this case, organisations focus on institutional environments where the organisations adopt advice from professional bodies about how to build the organisational structure, internal controls or how they should behave. In short, in coercive isomorphism, organisations are penalised if they do comply with external influences, while in mimetic isomorphism, organisations voluntarily copy each other, and normative organisations adopt professional suggestions, which do not have any consequences if they are not complied with.

## Motivation of the study

The aftermath of the 1997/1998 global financial crisis, which was largely attributed to poor corporate governance and disclosure practices (Haniffa and Hudaib, 2006) and resulted in the collapse of many big companies, such as Enron and WorldCom (Hussainey and Al-Najjar, 2012; Ntim et al., 2012a), triggered a number of drastic changes, such as increasing the attention focused on corporate information disclosure in annual reports. It has been argued that the absence of , or insufficient, disclosure may potentially trigger major economic and firm level problems. It is contended that adequate corporate disclosure could have prevented the Asian financial crisis, by warning investors and regulators of the approaching crisis (Goldstein, 1998; Rajan and Zingales, 1998; Gul and Leung, 2004; Leuz and Wysocki, 2008; Akhtaruddin et al., 2009, Dhaliwal et al., 2012, Mateescu, 2015). In addition, poor disclosure causes corporate failure and financial reporting fraud, as managers can potentially misrepresent information (Akhtaruddin, et al., 2009, Al-Janadi, et al., 2013, Abraham, et al., 2015). In view of the above, the researcher was motivated to carry out this study for the following reasons.

First, and foremost, the topic of voluntary disclosure has received considerable interest from researchers in recent years; however, there has been limited research on the topic with regard to developing countries (Cooke, 1992; Hossain et al., 2006; Chua et al., 2012, Peng, 2014; Dagiliene, 2015). Moreover, Tsang (1998) argued that results from developed countries cannot be transferred to developing countries, as country cultures, economies and other factors influencing corporate voluntary disclosure may differ. This acted as a motivation for the researcher to undertake this study.

Moreover, it appears that prior studies of the quality of corporate voluntary disclosure specifically, have mostly focused on how corporate voluntary disclosure relates to the cost of capital and environmental disclosure (Hail, 2002a; Francis et al., 2005; Dhaliwal et al., 2011), with the exception of the study by Boesso and Kumar (2007), who studied the associations between the quality and quantity of corporate voluntary disclosure and corporate size, the corporate operating industry and corporate governance structure, using data from the US and Italy. Many studies on the quantity of voluntary disclosure have concentrated on single countries (Soderstrom and Sun, 2007; Tian and Chen, 2009; Souissi and Khlif, 2012), while quality of voluntary disclosure has largely been largely untouched. Therefore, according to my best knowledge, this study is the first study to research factors affecting both the quality and quantity of corporate voluntary disclosure in a cross-developing country study. This scope of study is about how developing countries engage with the quantity and quality of CVD .

Additionally, previous studies have compared general corporate voluntary disclosure between the pre- and post-adoption of IFRSs and IASs (Soderstrom and Sun, 2007; Bischof , 2009; Broberg et al., 2010), but the comparison between both the quality and extent of corporate voluntary disclosure usage of IFRS or IASs and domestic accounting standards is missing. Additionally, according to the best of my knowledge, the relationship between the quality of corporate voluntary disclosure and national legal systems, the financial expertise of directors and audit committees has not been studied before.

In addition, empirical evidence showing how national corruption levels are related to both the quality and quantity of corporate voluntary disclosure is still missing.

Fourthly, only a few studies in the field of CVD have focused on factors affecting corporate voluntary disclosure in cross-countries studies (Gray et al., 1995, Meek et al., 1995, Wang et al., 2008 and Elbannan, 2011). Particularly, Wee et al. (2013) called for more cross-country studies on corporations’ voluntary disclosure to determine how corporation voluntary disclosure differs in those countries.

Moreover, as will be seen in chapter two, the majority of the findings contradict each other. For example, while Boesso and Kumar (2007), Brammer and Pavelin, (2008), and Naser et al. (2006) discovered that corporate voluntary disclosure was positively related to corporation size, Hassan et al., (2006), and Elsayed and Hoque, (2010) found a non-significant relationship between corporate size and the extent of corporate voluntary disclosure. These contradictions limit the usefulness of these results for policy makers and other interested users of corporate governance studies. Consequently, there was a need to carry more cross-country studies to reconcile these contradictory findings.

Finally, the on-going economic growth (Beyond Economic Growth index) in developing countries has heightened the need for cross-country corporate voluntary disclosure research in the developing world.

Therefore, this thesis seeks to examine specific factors and their relationships with both the quality and quantity of corporate voluntary disclosure in ten developing countries: Turkey, Singapore, Malaysia, India, Ghana, Nigeria, South Africa, Brazil, Mexico and Chile. Specifically, the thesis interest was to investigate the objectives and questions listed below:

## Research Objectives

1. To examine how firm level factors are associated with the quantity and quality of voluntary disclosure in annual reports.
2. To analyse how country level factors are associated with the quantity and quality of voluntary disclosure.
3. To explore factors that have no impact on either disclosure quality or disclosure quantity, and the reasons for this.
4. To investigate the factors that affect disclosure quantity and do not affect disclosure quality, and the reasons for this.
5. To examine the factors that affect disclosure quality and do not affect disclosure quantity, and the reasons for this.
6. To analyse how country level factors influence the quantity and quality of voluntary disclosure in a given country.

## Research Questions

1. What is the association between firm level factors and the quantity / quality of voluntary disclosure?
2. To what extent does disclosure quality and quantity share these same determinants? What are the reasons for this?
3. Which factors have no impact on either disclosure quality or disclosure quantity? What are the reasons for this?
4. Which factors affect disclosure quantity and do not affect disclosure quality? What are the reasons for this?
5. Which factors affect disclosure quality and do not affect disclosure quantity? What are the reasons for this?
6. How do country level factors influence the quantity and quality of voluntary disclosure in a given country?

## Summary of Research Methodology

As will be discussed in Chapter 4 of research design and methodology*,* cross-country studies have increasingly relied on secondary data from published annual reports because other methods are very expensive and might be impractical (Gray *et al.,* 1995; Meek *et al.,* 1995; Wang *et al.,* 2008; Elbannan, 2011). This thesis has relied upon secondary data, manually extracted from 600 corporate annual reports, taken from 300 selected companies from 10 countries for the years 2011 and 2012. This study considered the years 2011 and 2012 to ensure access to recent annual reports in ten different countries[[1]](#footnote-1). Furthermore, these countries were selected on the basis of their classification as emerging economies, and the availability of listed companies’ annual reports in the English language. According to the World Bank (2016), the definitions of emerging economies and developing economies or countries refer to countries whose economies are growing towards a developed economy.

According to the World Bank (WB) classification of gross national income per capital, low income countries have $905 or less, lower middle income countries have $906 - $3,595, upper middle income countries have $3,596 - $11,115 and high income countries $11,116 or more (Hopper, 2009). However, this classification has been criticized as it does not consider income distribution among individuals within some countries (Hopper 2009; Lassou and Soobaroyen, 2015) and, therefore, the classifications fail to give a clear indicator of a country’s development stage. Consequently, globalisation studies, such as Hopper (2009) and Lassou and Soobaroyen, (2015), have used the United Nations (UN) indices of development known as the human development index (HDI). These indices classify “economies into less developed countries (LDCs) (50), developing economies (168), economies in transition (20) and developed economies (42)” (Globalisation studies; page 3). Based on prior studies, such as Hopper (2009), Hilson, 2012 and Ralston, 2015, this thesis selects countries from the classification of developing economies (168 countries), as indicated in the human development index.

Furthermore, the un-weighted corporate disclosure index instrument has been the most used approach that contains items voluntarily disclosed in annual reports (Healy and Palepu, 2001; Archambault and Archambault, 2003; Beattie *et al.,* 2004; Chavent *et al.,* 2006; Buniamin, 2012) (See Chapter 4). Therefore, this study adopted an un-weighted corporate voluntary disclosure index method of 61, and 183, index items for quantity and quality of corporate voluntary disclosure, respectively, and 9 sub-categories of voluntary disclosure, to measure a firm’s level of voluntary disclosure. Thus, quality in this thesis means the provision of additional disclosure information that can enhance the clarity of the information disclosed. In fact, this study used the disclosure index used to measure the quality of disclosure in a study by Hail (2002). In addition, an un-weighted scoring technique was adopted to avoid subjectivity (Chow and Wong-Boren, 1987) and to assign equal importance to all users of financial statements (Gray *et al.,* 1995; Lan *et al.,* 2013). Ahmed and Nicholls (1994) and Meek et al. (1995) had used the un-weighted scoring technique in their studies. Therefore, its adoption in this study enables the results to be comparable with previous ones.

Additionally, data measuring the independent variables was extracted from annual reports and several other websites, consistent with other studies (Lang and Lundholm, 1993; Mohamad and Sulong, 2010; Lan *et al.,* 2013). Collecting primary data to measure quality of voluntary disclosure is very expensive and sometimes impracticable in cross-country studies (Hossain *et al.,* 1995; Meek *et al.,* 1995; Gray *et al.,* 1996; Wang *et al.,* 2008; Elbannan, 2011).

Conceptually the country level independent variables were common laws, professionalism, individualism, uncertainty avoidance, and educational level, level of religion, economic development, press development, corruption level and political freedom. The firm level controls variables were Note: Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DUL).

The dependent variables were the extent and quality of firm voluntary disclosure in the annual reports.

Finally, in line with the objectives of the research, a multiple linear regression approach was used to analyse the data, to ascertain the associations between independent variables and the quality and quantity of corporate voluntary disclosure.

* 1. Contributions of the Thesis

This thesis contributes to the literature in four main ways, through its investigation of the quality of corporate voluntary disclosure, contextually (there have been few cross-country studies), its reconciliation of contradictory previous results and its offering of policy implications for decision makers, regulators, investors and financial analysts.

Firstly, as can be seen in Chapter 2, only a few studies, such as Hail, (2002a), Francis *et al.,* (2005), Dhaliwal *et al.,* (2011) and Riahi-Belkaoui (2001) have investigated factors determining the quality of corporate voluntary disclosure. Mostly, these studies have defined the quality of the disclosed information as its usefulness to recipients, so users of disclosed information were asked to rate how useful the information was (Forker, 1992; Beattie *et al.,* 2004; Cheng and Courtenay, 2006). Consequently, they have not used more than 400 observations in terms of sample size. Thus, research into the quality of voluntary disclosure with a sample of this size has not been carried out and the study uses an index of the quality of corporate voluntary.

Secondly, by using data from emerging countries, the thesis makes a contextual contribution, since research on voluntary disclosure in developing countries is relatively limited (see Chapter 2). Furthermore, by doing a cross-country study, the research provides important results, by comparing how (developing) countries and firm level factors relate to corporate voluntary disclosure (Landman, 2008). Conducting research in developing countries is important for two reasons. Firstly, there has been a significant movement of foreign capital investment from developed to developing countries (Gourinchas and Jeanne, 2013), which means that investors may depend on corporate voluntary disclosure to monitor their investment. Secondly, because of differences in country factors, shareholder awareness and the regulators’ ability to monitor and regulate companies differ between developing and developed countries (Wee *et al.,* 2013). In this respect, the extent and quality of corporate voluntary disclosure in developing countries may be affected by different factors from those which affect developed countries. For instance, it has been found that an increase in educational level in a country might increase demand for information, which could lead to higher corporate voluntary disclosure (Archambault and Archambault, 2003, Elsayed and Hoque, 2010). However, educational level may have no relationship with corporate voluntary disclosure when the users are not intrinsically interested in reading the disclosed information.

Additionally, only a few cross-country studies have been carried out in developing countries. Specifically, this study builds on the studies by Archambault and Archambault (2003), who investigated corporate disclosure in a mixture of developing and developed countries, and Jaggi and Low (2000) and Ernstberger and Grüning (2013), who considered general disclosure, i.e. both voluntary and mandatory disclosure in developed countries. However, this thesis differs from these previous studies, as it considers both the quality and quantity of corporate voluntary disclosure, rather than general corporate disclosure, in ten developing countries. This approach seeks to distinguish factors relating to the quality of corporate voluntary disclosure from those relating to the quantity of voluntary disclosure.

Thirdly, although extensive research has been carried out on corporate voluntary disclosure in developed countries and, less so, in developing countries, the results have often contradicted each other (see Chapter 2). While Boesso and Kumar, (2007), Brammer and Pavelin, (2008), and Naser *et al.* (2006) discovered that corporate voluntary disclosure was positively related to corporation size, Hassan *et al.,* (2006), and Elsayed and Hoque, (2010), found a non-significant relationship between corporate size and the extent of corporate voluntary disclosure. Therefore, this research attempts to reconcile these contradictory results by providing new evidences from a cross-country study.

Lastly, as discussed in Chapter 7: Conclusion, this thesis offers three policy contributions.

Firstly, corporate growth rate was found to have a significant relationship with the quality and quantity of corporate voluntary disclosure of the sampled firms. The inference is that the growth of a corporation plays a major role in encouraging corporate managements and Boards to voluntarily disclose corporate information. The implication is that governments and other regulatory authorities should consider the prescription of growth rate when preparing disclosures for corporations. This is especially applicable for small companies as their growth rate might be faster than that of larger corporations. Thus, the regulatory authorities, governments and other associations should make it mandatory for corporations to disclose all important information.

Secondly, these findings imply that poor corporate performance may create an incentive to hide unsatisfactory results. Consequently, regulators should pay great attention to poorly performing corporations in order to enhance corporate transparency. Also, it has been found that, as the proportion of the Board of Directors with financial expertise increases, the level of voluntary disclosure decreases. This finding is important for regulators, who aim to increase corporate transparency, as these regulators should direct detailed attention to corporations with higher proportion of Boards of Directors with financial expertise, as these experts maybe focusing on mandatory disclosure only.

Thirdly, it found out (as discussed in Chapter 6) that the quality of the corporate voluntary disclosure of corporations in countries that have adopted International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) exceeded that of corporations operating within national accounting standards. Relatedly, it has been argued that the adoption of IFRSs is positively associated to greater disclosure (Soderstrom and Sun, 2007; Bischof , 2009). This finding suggests that countries which have not yet fully adopted IFRS and IASs should now adopt them, which would increase voluntary corporate disclosure.

# Theoretical Framework and Literature Review

* 1. Introduction

This chapter reviews and develops a theoretical framework based on prior studies, whilst identifying the existing gaps in the literature and showing how the this study fills the existing gaps. In this chapter, New Institutional Sociology, Resource Dependence, Agency, Signalling and Stakeholders theories are explained, and how they can explain the corporate voluntary disclosure used in annual reports. Further, the chapter critically reviews the literature on factors affecting corporate voluntary disclosure, and ends with a summary.

* 1. Theories Explaining Corporate Voluntary Disclosure
     1. New Institutional Sociology Theory

New Institutional Sociology Theory (NIS) is about how social factors affect organisational behaviour (DiMaggio and Powell, 1983; Furubotn and Richter, 2005; Suddaby, 2010; Brammer *et al.*, 2012; Scott and christensen, 1995). Institution has been defined as ‘‘social structures that have attained a high degree of resilience’’ (Scott, 1995, p.33). However, Holling (1961), cited in Holling (1973, p.14), supposed that ‘‘resilience determines the persistence of relationships within a system and is a measure of the ability of these systems to absorb change.” Over time, several social factors that affect organisations have been identified in the literature. As discussed in section 2.3, these factors include regulations, other organisations, culture, technology, corruption and reputation (how others perceive an organisation i.e. society and government) (Zucker, 1987; Sharma and Vredenburg, 1998; Aldrich, 1999; Patterson, 2001; Deephouse and Suchman, 2008).

Specifically, institutional factors affect organisational behaviour through isomorphism. Isomorphism is the process that produces organisations that look similar when they are facing the same environment (Hawley, 1968 ; DiMaggio and Powell, 1983). Correspondingly, there are two main categories of isomorphism: competitive and institutional isomorphism. Competitive isomorphism occurs when organisations use cost effective structures and methods developed by role models (DiMaggio and Powell, 1983; Oliver, 1997; Tuttle and Dillard, 2007), while institutional isomorphism emphasizes that organisational choices are determined by the social environment (Dowling and Pfeffer, 1975; 1981; DiMaggio and Powell, 1983). Thus, new institutional sociology theorists favour institutional isomorphism.

Furthermore, institutional isomorphism is subdivided into coercive, mimetic and normative categories. According to DiMaggio and Powell, (1983) Patterson, (2001,; Touron, (2005) and Deephouse and Suchman, (2008), coercive influence consists of state declared rules and laws that impose restrictions on organisations. These rules might control how the organisations should be organised, structured and managed. Additionally, capital funders, who have access to the financial resources that an organisation demands, may cause coercive isomorphism by specifying, for example, what kind of internal controls should be implemented by recipient organisations (Verbruggen *et al.*, 2011). Therefore, coercive isomorphism develops from political influences and organisations pursuing legitimacy. For example, when a state promulgates rules and an organisation does not comply with the law, it might incur penalties, which may include closure of the business operations.

On the other hand, mimetic isomorphism is a reaction to uncertainty and pursuing legitimacy through the copying the behaviour and internal structures of other organisations (Dowling and Pfeffer, 1975; DiMaggio and Powell, 1983; Haveman, 1993; Suddaby, 2010). Organisations tend to imitate successful organisational strategies in a specific industry to solve their own uncertainties. For instance, the discovery of cheap production methods in an industry may be copied by other organisations when competition in the industry is high. Consequently, mimetic isomorphism comprises three elements: an uncertain situation, a copied and adopted model, and a mechanism that associates these two elements (Touron, 2005). The mechanism refers to coordination of focal points, competitive selection among contracts, and bargaining (Knight, 2001; Touron, 2005). Moreover, this mechanism clarifies the development of the individual norms underlying different empirical circumstances. For example, in the case of financial crisis, uncertainty may force shareholders to increasingly demand more corporate information disclosure.

Finally, normative isomorphism refers to organisations pursuing legitimacy by following guidance from professionalinstitutions, such as that from the Association of Chartered Certified Accountants (ACCA) or consultants’ suggestions (DiMaggio and Powell, 1983; Mizruchi and Fein, 1999). In this case, organisations focus on institutional environments where the organisations adopt advice from professionalbodies about how to build the organisational structure, internal controls or how they should behave. In short, in coercive isomorphism, organisations are penalised if they do comply with external influences, while in mimetic isomorphism, organisations voluntarily copy each other, and normative organisations adopt professionalsuggestions, which do not have any consequences if they are not complied with.

Although each isomorphism has its own reason, all three categories of isomorphism share one common reason for being adopted, namely, legitimacy. Generally, legitimacy is the right to control, and the recognition by the controlled of that right (Tyler, 2006; Beetham, 1991). Organisations seek political power, institutional legitimacy and social acceptance from other organisations through complying with social factors (Dowling and Pfeffer, 1975; DiMaggio and Powell, 1983). Specifically, legitimacy attracts more economic benefits, societal support and great social influences (Dowling and Pfeffer, 1975). Moreover, Suchman (1995) states that managers can construct legitimacy through regular and concentrated communication with organisations’ social environments. According to Guthrie and Parker (1989), such communication may include corporate voluntary disclosure.

However, some organisations resist external social influences and this resistance is known as decoupling (Zucker, 1987; Westphal and Zajac, 2001; Boxenbaum and Jonsson, 2008). In times when the organisational culture or technical work process conflicts with social factors, the conflict can cause an organisation to resist changes from social factors (Meyer and Rowan, 1977; Weick and Quinn, 1999). For example, when an organisation is accustomed to making certain products in the same manner over a long period of time, its long-term employees may resist new cost effective ways of producing the products. This situation may be true particularly when employees are not informed about the changes and what their future roles will be after the changes (Geller, 2003). Thus, organisations may resist changes from external forces because they prefer stability (Scott, 2008). Moreover, managers might fear that changes in an organisation may fail, so they may also resist the change (Axelrod, 2002).

Nevertheless, Westphal and Zajac (2001) state that decoupling should not be treated as a possible response to pressures from the external environment, Rather that it should be treated as a variable that varies between organisations and, as a result of that, decoupling needs to be justified. For instance, the US Department of Defence was found to be using a different cost accounting system from the required system; it justified its deviation by claiming that the new system would increase efficiency (Ansari and Euske, 1987). However, the new system was discovered to be inefficient (Ansari and Euske, 1987). Consequently, decoupling can be used as a means of getting organisational legitimacy.

In conclusion, the new institutional sociology theory proclaims that changes in social environments influence the behaviour of organisations, but organisations have the ability to resist (i.e. decoupling), or comply (i.e. isomorphism). Moreover, this theory can explain why corporate voluntary disclosure practices differ from one environment to another (Gray et al., 1995; Choi and Meek, 2005; Dong and Stettler, 2011). Specifically, Dong and Stettler (2011) argued that corporate disclosure practices of a specific country reflect the needs of the recipients of the information. For instance, a corporation may disclose more information about its corporate performance and risks in an economy biased towards equity ownership than a corporation in an economy biased towards the debt protection of creditors (Dong and Stettler, 2011). According to Gray et al. (1995), Choi and Meek (2005), and Dong and Stettler (2011), the primary objective of any accounting standards and laws in the former economy is protection of external shareholders through enhanced corporate disclosure, while in the latter economy, the objectives of accounting and other laws may be to enable creditors to access internal information. In total, the environmental factors influencing corporate voluntary disclosure are called country level factors, which are discussed later. However, both the NIS theory and the Resource Dependence Theory share the concept that it is the environments surrounding organisations that sharpens their behaviour.

* + 1. Resource Dependence Theory

Resource Dependence Theory explains how organisations are related in connection to resources (Johnson Jr, 1995; Hillman et al., 2009). It can be argued that it attempts to describe organisational and inter-organisational actions in terms of their dependence on, or control the resources that organisations need to gain to survive (Johnson Jr, 1995; Hillman et al., 2000; Davis and Cobb, 2010). Resources are defined as tangible and intangible resources that an organisation needs in order to continue its operations (Barney, 2001; Barney and Arikan, 2001). There are many forms of resource that organisations may need to survive. These resources might include raw materials, financial resources, human resources, information, technology, input or output services and machines (Galaskiewicz and Marsden, 1978).

According to Johnson Jr (1995), an organisation has to collaborate with other organisations within its environment in order to obtain its required resources. Indeed, no single organisation can satisfy itself, so inter-organisational exchange of resources is important to supply the organisation with its resources (Pfeffer and Salancik, 1978) Consequently, dependence, in this case, is a way of getting critical resources to ensure survival of organisations and their success (Bloom and Perry, 2001; Delen, 2007 ; Hof er et al., 2012).

However, there are three factors that can determine the nature of dependence amongst organisations. These factors are the level of importance of the required resources, and the lack, or availability, of resources in an environment (Johnson Jr, 1995). For instance, when limited resources are important to the activities of organisations, resource deprived organisations may order the sources from resource-blessed organisations, but the latter organisations may exert some influence on the former. Inversely, when resources are absent, the resources deprived organisations may have substitute resources; they can protect themselves from external pressure by using substitute resources. Resources are deemed to be substitutes if they can meet the same needs (Lemley and McKenna, 2011). Finally, when a resource is abundantly available, it may not cause a dependence relationship.

Therefore, inter-organisational relationships create power relations; in return, the power relation is determined by how organisations are related: mutually, or dominant dependence (Casciaro and Piskorski, 2005). In mutual dependence, the power is mainly shared amongst exchanging organisations, which may mean that no an organisation has absolute control over another (Galaskiewicz and Marsden, 1978; Pfeffer and Salancik, 2003; Casciaro and Piskorski, 2005; Davis and Cobb, 2010; Galaskiewicz and Marsden, 1978; Pfeffer and Salancik, 1978; Johnson Jr, 1995; Casciaro and Piskorski, 2005; Hillman et al., 2009; Davis and Cobb, 2010). For example, there is a mutual relationship when organisation A depends on organisation B for 60% of resource 1, and B depends on A for 62% of resource 2. Thus, the degree of dependency between them may differ according to the resources they have, and require.

In dominant dependence, the power is held by dominant organisations creating a power imbalance between exchanging organisations (Cook, 1977; Casciaro and Piskorski, 2005; Davis and Cobb, 2010). Power imbalance can be shown when organisation A has been controlled by organisation B and the latter organisation attempts to increase control over organisation A’s resources and behaviour (Emerson, 1964). In this case, power that is built on imbalanced dependence plays the role of controlling organisational behaviour (Casciaro and Piskorski, 2005; Hillman et al., 2009; Davis and Cobb, 2010). Therefore, the relationship between dependence and the power balance is negative.

Rivas (2012) claims that interdependence between an organisation and its environment can reduce an organisation’s autonomy and increase future uncertainty. However, organisations may use mergers, reserves and networking to enhance their autonomy and pursue their interests (Anderson, 1968; Benson, 1975; Bloom and Perry, 2001; Pfeffer and Salancik, 2003; Delen, 2007 ; Hof er et al., 2012)

Casciaro and Piskorski (2005) proposed that organisations in high mutual dependence are more likely, in fact, to face uncertainty than organisations in low mutual dependence. Consequently, the former organisations are more likely to merge, to create more autonomy and decrease their interdependencies (Hillman et al., 2009). Specifically, merger offers three benefits: main competitors can be absorbed and reduced, managers can control interdependency by absorbing input or output resources, and multiple activities can occur amongst the merged organisations (Pfeffer, 1972). A merger is one of the main strategies that may reduce an organisation’s dependency level on others.

However, the existence of dominant dependence discourages merger behaviour, while mutual dependence motivates it (Pfeffer and Salancik, 2003). Subsequently, independent organisations are unlikely to merge with their dependent organisations, because the independent organisations might lose the benefits of remaining the power-holder in these relationships (Pfeffer and Salancik, 2003). Accordingly, when dependent organisations need particular resources, they may have to highly restructure their dependency through absorption of constraints from a dominant organisation, either through restructuring suppliers’ contracts or finding alternative sources of the required resources (Hillman et al., 2000; Casciaro and Piskorski, 2005; Hillman et al., 2009b; Verbruggen et al., 2011). The constraint absorption could reduce the ambiguity of the dependent organisation by providing steady access to the resources needed from dominant organisations (Hillman et al., 2009; Davis and Cobb, 2010).

However, a dependent organisation may not always object to control by a dominant organisation. Mainly, when there is no power to absorb the constraints because of a power imbalance, the dominant organisation can resist pressure from the dependent organisation to absorb the constraints (Hillman et al., 2009a; Davis and Cobb, 2010).

Moreover, managers of the dominant organisation may seek to increase the independent organisation’s autonomy by increasing others’ dependence on its activities (Hillman et al., 2009). However, the dominant organisations may merge with the dependent organisations when the latter has a high amount of capital or managerial expertise (Katila et al., 2008)

On the other hand, because of the influence of dominant organisations, dependent organisations may reserve the required resources, or network with other organisations, to increase their autonomy and reduce future uncertainty (Johnson Jr, 1995; Meznar and Nigh, 1995; Bode et al., 2011). For instance, an organisation may reserve enough resources for future use in case supply is disturbed; consequently, future uncertainty is reduced and organisational productivity can increase (Meznar and Nigh, 1995). Inversely, networking strategy refers to a situation when an organisation amends its boundaries through bridging (Johnson Jr, 1995). For instance, networking increases organisations’ independence through linking them with suppliers, customers, competitors, funders and others, according to the importance of the resources, the organisations need from their environment (Meznar and Nigh, 1995; Hofer et al., 2012; Johnson et al., 2012).

In addition, Resource Dependence Theory may explain corporate voluntary disclosure practices, as external parties may need more information before surrendering their resources to an organisation. For instance, financial institutions, such as the World Bank or the International Monetary Fund (IMF) and other organisations, may require more corporate disclosure before funding an organisation (Rahaman et al., 2004; Elsayed and Hoque, 2010). It was found that further requirements for corporate disclosure by the World Bank increased environmental disclosure in Ghana (Rahaman et al., 2004). Similarly, organisations are interested in improving their corporate voluntary disclosure to reduce the costs of raising additional funds, as further disclosure may reduce perceived risks of investment (Hail, 2002; Francis et al., 2008; Kothari et al., 2009; Dhaliwal et al., 2011). Also, Lang and Lundholm (1996) found that corporate voluntary disclosure is likely to increase with the probability of raising additional funds at the time of the initial public offer.

In conclusion, therefore, as organizations target autonomy and a certain future, critical resources will lead them to success and survival. These necessary resources may be controlled by other organisations and, in return, the controlling organisations may control the behaviour and activities of dependent organisations. Then, the dependent organisations may adopt the strategies mentioned above to resist this control and, eventually, they can obtain the required resources and reduce future uncertainty.

* + 1. Agency Theory

Agency theory looks at the relationship between a principal and an agent. Essentially, Jensen and Meckling (1979) and Crutchley and Hansen (1989) have suggested that the agency theory relationship is about a contractual link between the principal, the owner of resources, and the agent, a person who controls resources on behalf of the principal. In other words, an agency relationship occurs where there is a separation of ownership from control (Jensen and Meckling, 1979). Furthermore, the vital proposition of agency theory is that both the agent and the principal are performing in their own best interests (Watts, 1977; Jensen and Meckling, 1979). In this situation, the managers may misuse the funders’ investment to gain personal benefits at the expense of the investors (Healy and Palepu, 2001; Dey, 2008). For instance, the funding can pay for bonuses, high salaries, or be invested in risky projects that may benefit managers rather than the external investors (Jensen and Meckling, 1979; Healy and Palepu, 2001). As the managers have wider access to information than principals, this information asymmetry may dishonestly benefit the managers (Watts, 1977). Subsequently, agency theory is a concern of funders of a business who do not manage the business; managers may act in their own interests, but the managers might have little or no financial investment in the business (Healy and Palepu, 2001; Dey, 2008).

However, the agency problem grows with the size, leverage, listing status and corporate governance of a corporate. For a larger company, the more probable it will be that it will rely on external capital and, thus, the agency costs will be higher (Jensen and Meckling, 1979; Crutchley and Hansen, 1989). Moreover, an increase in reliance on external capital increases the seperation between control and ownership, in addition to raising the number of principals, which may make controlling the behaviour of managers more difficult. For the same reasons, companies that are listed in more than one capital market may have a greater agency problem than those listed only in a single stock exchange, or those that are not listed. In fact, it is probable that companies that are listed will have higher number of shareholders and, therefore, may experience higher monitoring costs (Watts, 1977).

In addition, agency theory also holds that an increase in firm leverage might increase conflicting interests between creditors and management. Therefore, creditors may impose restrictive convenants aimed at limiting managers’ behaviour (Jensen and Meckling, 1979; Crutchley and Hansen, 1989). Consequently, investors may incur costs when monitoring the activities of managers, as in linking emoluments to the interests of investors and monitoring the actions of the managers to reduce the agency problem (Jensen and Meckling, 1979; Watson et al., 2002). These monitoring activities may include the presence of an audit committee, the existence of members of the Board of Directors with financial expertise, the quality of external auditors, and the number of independent board members and non-duality of chief executives of a corporation, which may reduce the agency problem, as explained in section 2.3.1.The establishment of a Board of Directors who oversee all the activities of managers may diminish the ability of the managers to personally benefit from investors’ funds at the expense of the investors (Healy and Palepu, 2001; Dey, 2008). Likewise, Fama (1980) proposed that the managerial labour market exists to discipline managers, as managers can be replaced and the threat of that may encourage them to put the interests of the principals before their own. However, all these ways of aligning the interests of managers to those of principals may depend on the information available to the principals.

Thus, agency theory can explain why a corporation may voluntarily disclose more information in its annual reports. Firstly, some investors demand more disclosure of corporate activities to reduce managers’ self-interested behaviour through enhanced monitoring (Healy and Palepu, 2001; Mangos and Lewis, 1995) and to hold agents accountable for their actions (Gray *et al.*, 1996). Subsequently, this increased disclosure reduces agency costs, which are associated with monitoring the activities of managers, because principals can easily see what is happening in a corporation (Schipper, 1981). Secondly, Belkaoui and Karpik (1989) proposed that agents may be motivated into revealing more information than required in order to minimise interference from principals, as the disclosure may satisfy the principals that the agents are working in their interests. Thirdly, when the agents behave in an efficient manner, they may use disclosure as a means of enhancing their status (Jensen and Meckling, 1979; Fama, 1980) and to highlight how they are fulfilling their stewardship responsibilities properly (Burrowes and Persson, 2000). Accordingly, corporate voluntary disclosure is a way of reducing agency problems (Naser *et al.*, 2006) and reassuring investors that management is acting in their interest (Watson *et al.*, 2002).

* 1. Corporate Voluntary Disclosure Literature Review

This section reviews the main determinants of corporate voluntary disclosure that are relevant to understanding why corporations disclose some information voluntarily. These factors are grouped into firm level factors and country level factors. In addition, the discussion identifies areas, which need further research.

* + 1. Firm Level factors

2.3.1.1 Firm Growth

Growth opportunities might influence corporate voluntary disclosure. As high growth, may increase the information asymmetry problem between managers and outsider investors, significant growth brings significant resources to growing corporations (Smith Jr and Watts, 1992). Consequently, corporations with many growth opportunities have more incentive to voluntarily disclose information than those with limited growth opportunities, because the former need funds to finance available opportunities and reduce growing agency conflicts (Hyytinen and Pajarinen, 2005; Dey, 2008; Lopes and de Alencar, 2010). Reducing the information asymmetry problem between managers and funders may attract the required funds easily, because potential investors may see how they are going to benefit from their investments (Hyytinen and Pajarinen, 2005; Dey, 2008; Lopes and de Alencar, 2010).

Prior studies have suggested that extended and credible disclosure reduces the cost of a corporation’s external funding; hence, reduction in the cost of capital improves the ability of corporations to implement profitable investments (Hail, 2002a; Francis *et al.*, 2005; Dhaliwal *et al.*, 2011). Moreover, Lang and Lundholm (2000) found that corporate voluntary disclosure may be positively related to going public, as corporations which were anticipating going public were found to be increasing likely to increase their corporate voluntary disclosure immediately prior to initial public offerings.

Subsequently, low growth opportunities do not provide the incentive to disclose more information voluntarily (Davis and Tama-Sweet, 2012), because these corporations do not require external finance (Core, 2001; Larcker, 2002). Therefore, in an environment where there is poor governance, accounting rules and growth opportunities, government regulators may issue new laws in order to reduce information asymmetry (Edmans et al., 2013). In practice, it has been identified that low growth rates were significantly associated with low levels of corporate disclosure (Wang, et al., 2008).

Profitability

The aspect of Profitabilityhas received mixed results in its relation to voluntary corporate disclosure. A positive relationship between Profitabilityand voluntary disclosure was found to exist in some studies (Tauringana, 1997; Owusu-Ansah, 1998b; Haniffa and Cooke, 2002; Naser et al., 2002) but a negative relation was found in other studies (Wallace and Naser, 1995; Chen and Jaggi, 2000; Camfferman and Cooke, 2002). However, it has also been noted that some other studies’ findings showed that there was no relation at all between Profitability and voluntary corporate disclosure (McNally et al., 1982; Meek et al., 1995; Inchausti, 1997; Ho and Wong, 2001a; Chau and Gray, 2002; End and Mak, 2003; Leventis and Weetman, 2006; Barako et al., 2006; Hossain and Taylor, 2007; Patelli and Prencipe, 2007).

According to signaling theory, companies that are performing well are supposed to disclose more information, aimed at signaling their superiority in performance (Singhvi and Desai, 1971; Courtis, 1978).

* + - 1. Auditor’s Liability and litigation risks

Many studies have recognized the impact of professionalexternal auditors and accountants on corporate voluntary disclosure practice (Kolk and Perego, 2010; Pflugrath et al., 2011) and it has been shown that external auditors can reduce the conflict of interest between management and stakeholders (Schipper, 1981; Watts and Zimmerman, 1986).

The reduction can be achieved through encouraging more information disclosure and by enhancing the integrity of the disclosed information when auditors give audit opinions (Healy and Palepu, 2001). Similarly, Craswell and Taylor (1992) found a significant positive association between audited corporations and the extent of corporate voluntary disclosure in New Zealand. However, external auditors can encourage more corporate voluntary disclosure in order to reduce auditor liabilities. Auditor liabilities refer to the possibility of auditors being used because of Auditors negligence (ACCA, January 2009).

Healy and Palepu (2001) proposed that the threat of litigation may reduce the extent of the disclosure of projected information, as the projection may differ from the actual performance, a difference which could trigger a lawsuit. Disclosing less information may reduce the amount of information that may be used as evidence against a corporation. Nevertheless, Francis et al. (2002) discovered that reductions in corporate disclosure and the number of litigations were not related.

* + - 1. Firm Size and Age

Firm size may have a positive relationship with corporate voluntary disclosure. A rise or fall in the number of employees, branches, shareholders, capital or going global increases corporate agency costs (McKnight and Weir, 2009). Therefore, large corporations may have to disclose more information voluntarily to reduce their agency costs (Cooke, 1991, 1998, Chow and Wong-Boren, 1987, Hossain et al., 1995) and enhance shareholders’ value, and shares’ liquidity, for example (Depoers, 2000; Hail *et al.*, 2010). Moreover, large corporations are more likely to demand external capital than smaller ones, but the external capital could increase agency costs and corporate voluntary disclosure may reduce the costs of increasing needed capital (Hail, 2002).

Furthermore, large corporations might provide more information voluntarily to satisfy their stakeholders’ demands (Naser *et al.*, 2006; Boesso and Kumar, 2007; Brammer and Pavelin, 2008). Due to their large size, many stakeholders, ranging from governments to activists, may be interested in the activities of large corporations, as will be discussed later. For example, Boesso and Kumar (2007) investigated the association between the quality and quantity of corporate voluntary disclosure with corporate size, using data from the US and Italy. Specifically, Boesso and Kumar (2007) content analysed the management discussion and analysis sections of 72 annual reports, and found that the firm size, measured by the log base 10 of the number of employees, was significantly and positively correlated with the quantity of voluntary disclosure, but that the size and quality of disclosure was not significantly correlated. However, it was found that corporations focusing on stakeholder management were likely to increase the quality of voluntary disclosure (Boesso and Kumar, 2007). Moreover, it was observed that the size of the corporation and the quality of disclosure were positively related (Brammer and Pavelin, 2008). Additionally, Naser *et al.* (2006) discovered that corporate social disclosure was positively related to firm size in Qatar. Furthermore, Hossain and Hammami (2009) found that the association between corporate size (i.e. measured by assets) and corporate voluntary disclosure was positive. Leventis and Weetman (2004) confirmed that the size of corporate measured by market capitalisation was linked to corporate voluntary disclosure positively. In addition, large corporations in Singapore were found to have a higher quantity of corporate voluntary disclosure than small ones (Eng and Mak, 2003). To summarise, corporate size in the prior studies has been measured differently, but mostly has been found to have a positive link with the level of corporate voluntary disclosure.

Correspondingly, as corporations become bigger, they may face great government interference and legal disputes over their business operations, and these factors may lead to higher corporate voluntary disclosure (Watts and Zimmerman, 1990). For example, Kolk and Perego (2010) suggested that larger corporations tend to provide higher levels of corporate voluntary disclosure to reassure their stakeholders and maintain their trust, because they found that corporate social responsibility disclosure was positively associated with corporate size. Conversely, because of competition from large corporations, and the costs of disclosure, small corporations may disclose little information in their annual statements (Firth, 1979).

In addition, shareholders or the Board of Directors, as monitoring mechanisms, might use disclosure as a mean to monitor the activities of management, since large firms become more complex (Dey, 2008). Similarly, multinational corporations might disclose more information voluntarily than domestic based organizations because of the diversity of their stakeholders (Sotorrío and Sánchez, 2010). Diverse stakeholders can demand more economic, social and political information from the different countries where the multinational corporations operate (Meek *et al.*, 1995; Van der Laan Smith *et al.*, 2005; Kolk and Perego, 2010). For instance, multinational corporations might disclose corporate strategies, future performance targets, and the activities of different subsidiaries.

However, the relationship between corporate size and the extent of corporate voluntary disclosure has been found to be non-significant in some cases (Hassan *et al.*, 2006; Elsayed and Hoque, 2010). The inconsistency in the studies might be due to differences in the proxies for measuring corporate size. For instance, Lang and Lundholm (1996) measured it using the market value of the firm's equity at the beginning of a fiscal year, while Ge and McVay (2005) measured firm size by market capitaliation, and and Hassan et al. (2009) measured firm size by a logarithm of the market value of equity. Subsequently, studies are needed to reconcile these inconsistent results.

On the other hand, Hossain and Hammami (2009) empirically examined the influence of corporate age on the level of corporate voluntary disclosure in annual reports. Hossain and Hammami (2009) discovered that the level of corporate voluntary disclosure was positively related to the age of firms. However, many studies have shown a positive relationship between the age of firms and mandatory disclosure, more so than with corporate voluntary disclosure (Cooke, 1992; Hossain, 2008). It is probable this reflects the degree of organizational experience in complying with legal and other regulatory requirements, but this result cannot be arguably transposed to the context of voluntary disclosure.

* + - 1. Corporate Reputation

Reputation can also affect corporate voluntary disclosure. Fombrun (1996, p.37) defined reputation as ‘‘the overall estimation in which a company is held by its constituents.” Many studies have found perceived corporate reputation to have a positive link to corporate voluntary disclosure (Brown and Perry, 1994; Brammer and Pavelin, 2006; Brown and Whysall, 2010; Cho *et al.*, 2012). For instance, Brammer and Pavelin (2006) discovered a positive link between corporate social disclosure and corporate reputation (most admired companies) in the UK. Similarly, Cho et al. (2012) found a positive relationship between social disclosure and perceived corporate reputation in the US.

Brady (2005) claimed that it is possible that corporate reputation[[2]](#footnote-2) is built on a corporation’s individual picture (how is a company is perceived by its stakeholders). Specifically, Brady (2005) and Bebbington *et al.* (2008) asserted that corporate voluntary disclosure can be used as a tool to filter, and shape, a better picture of corporations. Therefore, corporate reputation reflects the results of many years of success or failure by corporations (Bebbington et al., 2008). Thus, a corporation with a high reputation may voluntarily disclose more information than one with a low reputation.

* + - 1. Corporate Governance Practices

Corporate governance refers to how shareholders, management, and boards of directors (BOD) relate to each other, to enable the achievement of corporation goals and the efficient supervision of the activities of corporations for the benefit of shareholders and other stakeholders (Shleifer and Vishny, 1997; OECD Principles of Corporate Governance, 2004). The presence of an independent board of directors, non-dual board leadership (when the Chief Executive Officer (CEO) is not at the same time acting as the chairperson of the board of directors) may enhance voluntary corporate disclosure. Also, the availability of an audit committee, and a corporate code of ethics may improve corporate governance practices. In turn, better corporate governance practice may enhance voluntary corporate disclosure. Certainly, the existence of a corporate code of ethics was found to be positively associated with high corporate disclosure (Nowland, 2008), probably because a corporate code of ethics includes a statement focused on increasing transparency and disclosure. Similarly, when corporate governance codes are strong and actively managed within a corporation, corporate disclosure is likely to increase because the managers may be forced to disclose more information (Ernstberger and Grüning, 2013).

Meanwhile, the board of directors is responsible for overseeing the activities of management on behalf of external stakeholders (Corbetta and Salvato, 2004; Bebchuk and Weisbach, 2012). Allegrini and Greco (2013) found a significantly positive relationship between board size and the extent of corporate voluntary disclosure. It has also been found that a board of directors is more effective when there is a higher number of independent members (Lipton and Lorsch, 1992; Gordon, 2007). Being an independent member implies that the member does not have any financial involvement, such as consultation, employment by the corporation, or affiliation with the corporation. Their involvement comes solely from being a member of the board of directors, or / and the audit committee.

Consequently, several studies have found that the number of independent board members is positively associated to the quality of corporate voluntary disclosure (Forker, 1992; Chen and Jaggi, 2001; Ho and Shun Wong, 2001; Cheng and Courtenay,(2006).

However, an increase in the number of independent members of the board of directors did not significantly relate to the extent of voluntary disclosure (Ho and Shun Wong, 2001). Barako *et al.* (2006) suggested that corporate voluntary disclosure may not increase with the number of numbers of independent directors when these directors are not independent from the management, as management may have a significant influence over their selection. However, the relationship between voluntary disclosure levels and board composition variables such as the background of the board members (including their expertise) is still unclear.

In addition, Ho and Shun Wong (2001) revealed that the audit committee and the quantity of corporate voluntary disclosure were positively related among Hong Kong corporations. This relationship may be because an audit committee is likely to be made up of most independent members, who might influence corporate transparency positively (Sarbanes, 2002; Mohamad and Sulong, 2010).

Finally, Gul and Leung (2004) researched the relationship between corporate voluntary disclosure and CEO duality for companies listed on the Stock Exchange of Hong Kong. They found that CEO’s duality (i.e. the same person cumulating the position of CEO and board chair) was negatively related to corporate voluntary disclosure. In addition, Forker (1992) showed that CEO duality was negatively associated with the quality of corporate share option voluntary disclosure. Consequently, Gul and Leung (2004) and Fama and Jensen (1983) argued that in the event of CEO duality, the board of directors might be weak and ineffective when independently supervising management activities, since the board itself was under the nominal control of the CEO. The CEO may exploit this weakness by reducing corporate disclosure, perhaps to cover up inappropriate activities (Gul and Leung, 2004). Nevertheless, Cheng and Courtenay (2006) and Ho and Shun Wong (2001) discovered a non-significant relationship between the quality of corporate voluntary disclosure by Singaporean companies and CEO duality. In this context, it could be argued that country-level factors, such as the type of listing rules or accounting conventions, may influence the difference in results from different countries.

* + - 1. Industry differences

Corporate voluntary disclosure may depend on the industry within which a corporation operates. For instance, Meek *et al.* (1995) suggested that corporations dealing with high technology products might disclose less information because of the high levels of competition in this sector. Meek *et al.* (1995) found that firms in the metal, building materials, and construction, engineering, consumer goods and service industries disclosed more information relative to firms operating in the oil, chemicals and mining industries.

In contrast, many researchers have found that corporations operating in environmentally sensitive sectors might disclose more voluntary information compared to companies in less sensitive sectors (Brammer and Pavelin, 2008; Ho and Shun Wong, 2001; Craswell and Taylor, 1992; Meek *et al.*, 1995; Peters and Romi, 2013), such as in the case of service sectors (Brammer and Pavelin, 2008). Also, Ho and Shun Wong (2001) revealed that operating in the manufacturing industry and the quantity of voluntary disclosure were positively related.

Likewise, corporations that operate in several industries can increase corporate voluntary disclosure, as the economies of disclosure costs may decrease with an increase in the number of industries (Chau and Gray, 2002). Indeed, Wallace and Naser (1996) and Haniffa and Cooke (2002) revealed that corporate voluntary disclosure is likely to increase with an increase in the number of industries in which corporations operate.

* + - 1. Firms Leverage Level

Firm leverage may influence corporate voluntary disclosure too. For instance, highly indebted firms have a higher risk of failure, and this probability of failure increases the conflict of interests between managers and external stakeholders (Jensen and Meckling, 1976). Consequently, corporate voluntary disclosure and leverage levels may be positively linked as a way of explaining the perceived risks and mitigating stakeholder reactions (Naser, 1998; Ahmed and Courtis, 1999; Barako *et al.*, 2006; Naser *et al.*, 2006). To demonstrate, a meta-analysis of 29 studies from European, American and Asian countries found that corporate leverage levels were positively correlated with the quantity of voluntary disclosure (Ahmed and Courtis, 1999). Also, Chavent *et al.* (2006) investigated the determinant of corporate mandatory and voluntary disclosure in 100 French listed companies, by using two samples having a similar characteristic and determining the extent of disclosure of accounting provisions. Their results showed that firm leverage and corporate disclosure were positively correlated.

However, providers of debt finance may access more information about the firms they wish to finance through stringent lending agreements and debt covenants; consequently, highly indebted corporations may not need to enhance the level of voluntary disclosure, or may even seek to reduce it (Wallace *et al.*, 1994; Zarzeski, 1996). For instance, in the case of Singapore, corporate leverage was not significantly associated with the extent of voluntary disclosure (Ho and Shun Wong,(2001).

* + - 1. Firms’ Liquidity

Similar to the above, low levels of financial liquidity may indicate a bad signal about a corporation’s going concern. Going concern can be defined as “in the absence of evidence to the contrary, the entity is viewed as remaining in operation indefinitely” (Fremgen, 1968, p.649). Accordingly, doubts about the going concern ability of the company might trigger uncertainty amongst resource providers. Consequently, firms may need to explain how they intend to address their liquidity gap and this may result in increased corporate voluntary disclosure (Wallace *et al.*, 1994). However, some studies discovered that liquidity might not be related to corporate voluntary disclosure level (Leventis and Weetman, 2004; Barako *et al.*, 2006). This may be related to be use of balance sheet-related proxies, such as the current ratio, which are not always clearly indicative of a lack of going concern.

* + - 1. Foreign Sales

Companies that rely on international (foreign) sales may have two motives to increase corporate voluntary disclosure. Firstly, as an enterprise seeking to develop its international presence, a firm may use corporate voluntary disclosure as a marketing tool. Subsequently, foreign sales and corporate voluntary disclosure have been found to be associated (Zarzeski, 1996;Archambault and Archambault, 2003). Secondly, firms with international sales may use corporate voluntary disclosure to signal their performance, especially with regards to the achievement of their goals (Morris, 1987), and to demonstrate how management is using the resources entrusted by funders (Jensen and Meckling, 1979).

* + - 1. Firms’ Listing, Multiple Listing Status and Ownership Structures

Corporate voluntary disclosure may be used to reduce agency problems, as previous discussed. Unambiguously, separation of ownership and control results in increased information asymmetry between owners and managers (Jensen and Meckling, 1976). Consequently, according to Chau and Gray (2002) and Ho and Shun Wong (2001), firms with fewer external shareholders, or privately held companies, may not disclose more information than firms with many external shareholders. Moreover, institutional ownership and corporate voluntary disclosure have been found to be positively associated (Carson and Simnett, 1997; Bushee and Noe, 2000; Barako *et al.*, 2006; Wang and Claiborne, (2008).

Also, agency problems increase with the number of foreign investors, and companies with foreign investors have been found to have more corporate voluntary disclosure than those firms with, or that are highly reliant on, domestic investors (Haniffa and Cooke, 2002; Barako *et al.*, 2006; Huafang and Jianguo, 2007; Wang and Claiborne, 2008).

Moreover, a meta-analysis of 29 studies from European, American and Asia countries found that multiple listings positively correlated with the quantity of voluntary disclosure (Ahmed and Courtis, 1999). However, this meta-analysis did not consider several developing and emerging economies.

In addition, corporate voluntary disclosure may decrease information asymmetry problems when there is a greater diffusion of shares (Darrough, 1995; Archambault and Archambault, 2003; Huafang and Jianguo, 2007). Diffusion of shares refers to the extent to which shares are owned by small shareholders, defined as those who have holdings of less than 3% or 5% of the number of issued shares (Hossain *et al.*, 1994; Haniffa and Cooke, 2002; Barako *et al.*, 2006). Indeed, share diffusion and the level of corporate voluntary disclosure have been found to be negatively related (Hossain *et al.*, 1994; Haniffa and Cooke, 2002; Barako *et al.*, 2006).

* + 1. Country Level Factors

Country factors that influence the quality and quantity of corporate voluntary disclosure include culture, legal systems, the country’s economic development, politics and government practice. These factors are discussed in detail below.

* + - 1. Culture and Religion

Culture refers to the collective ways in which a particular society lives and behaves (Ernstberger and Grüning, 2013). Culture may explain why corporate voluntary disclosure differs across countries. Social organizations and national culture (cultural values, beliefs and norms) influence corporate reporting behavior (Deegan and Unerman, 2006). For example, organizational values influence corporate behaviour when organisations attempt to achieve their values, such as enhancing transparency. Specifically, a national culture shapes the structures in which firms operate, as national culture is built on family norms, social beliefs, educational background and political systems (Hof stede, 1980). Hof stede (1980) grouped national culture into: power distance, individualism, uncertainty avoidance and masculinity. According to Hofstede, uncertainty avoidance indicates the extent of avoiding an unknown future. Collectivism refers to the particular culture in which a society prefers to live together, contrary to an individualistic culture, where people are less concerned about the welfare of others in society, and focus primarily on their own welfare. Conversely, power distance refers to the distribution of power among classes of a society. Power distance can be high when there is uneven sharing of authority in a society, which is acceptable in that society, contrary to low power distance, when large parts of a community are involved in decision-making and can hold the authorities answerable for their decisions and actions.

Finally, a masculine society has “clear distinct gender roles: men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life” (Hof stede, 1980, p. 297). In a feminine society, social gender roles overlap, and both men and women are supposed to be modest, tender, and concerned with the quality of life (Hof stede, 1980, p.297)

Gray (1988) extended Hof stede (1980)’s model by linking culture with accounting value and practice, and accounting value associations with social beliefs and institutional value. Gray (1988) suggested that accounting values are linked to, and come from, varying social beliefs in different countries and he identified four distinct accounting values. Firstly, professionalism versus statutory control, which shows the preference for individual professional decision making and self-regulation, as opposed to practice deriving from legal rules and statutory control. Secondly, uniformity versus flexibility; this value reflects the preference for the implementation of uniform accounting practices between practitioners, which differs from the flexibility of implementation of accounting regulation. Thirdly, conservatism versus optimism; this value explains the preference for a precautious way of measuring in terms of uncertainty in the future, which is opposite to the optimistic approach. Finally, secrecy versus transparency, which refers to the level of confidentiality between a firm and its stakeholders, and the amount of information provided by a firm to parties who are directly involved with corporate activities, and this differs from a transparent and open strategy approach.

Consequently, drawing from Gray and Hofstede, culture may influence accounting development and financial reporting practice both locally and globally. Specifically, uncertainty avoidance may have a negative link to corporate disclosure, as high uncertainty avoidance increases disagreement amongst societal members, and, hence reduces the incentive for corporate disclosure (Gray, 1988). Consequently, Hope (2003) found a negative association between uncertainty avoidance and the extent of corporate disclosure in the annual reports in a cross-country study which relied on data from the Centre for International Financial Analysis and Research. However, Williams (1999) argued that when information uncertainty exists in society, it also increases the level of uncertainty avoidance. Subsequently, firms may solve such uncertainties through increasing their corporate voluntary disclosure (Guthrie and Parker, 1990 ; Williams,(1999).

Furthermore, in societies characterised by low power distance, stakeholders may have the power to demand more disclosure from companies (Robb and Zarzeski, 2001) in consideration of demands for equality, the lack of a power struggle, and transparency (Gray, 1988). A negative association between power distance, and the extent of disclosure in corporate annual reports was reported in a cross-country study (Hope, 2003), although Zarzeski (1996) previously found a positive association between power distance and corporate disclosure. Basically, the reasons for this variation in the prior studies could be associated with differences in the research sample adopted in those studies, research methodologies used or the research instrument used in each study.

At the same time, Jaggi and Low (2000) suggested that corporate disclosure might be higher in masculine societies than in feminine societies, because the former society may have a higher desire to succeed than the latter. However, Hope (2003) reported a negative association between these variables. This arguably may be due to the possibility that firms in so-called masculine societies are expected more to face fewer social requests for corporate disclosure (Williams, 1999). Furthermore, Gray (1988) acknowleged that that the masculine and feminine cultural dimensions may, theoretically, have less to do with accounting choice and disclosure.

Furthermore, Hope (2003) reported a negative association between corporate voluntary disclosure and the culture of social networking, trust and secrecy amongst Chinese listed firms. Thus, the culture of secrecy and conservativism in developing countries could affect the level, and credibility, of voluntary disclosure (Chow *et al.*, 1995; Orij, 2010). In a similar vein, Haniffa and Cooke (2005) studied the relationship between corporate voluntary disclosure and culture (as evaluated by managers) in Malaysia, and showed a significant positive association between the quantity of corporate voluntary disclosure and boards controlled by Malay managers. They concluded that the interaction between corporate voluntary disclosure and culture could be studied by considering the managers’ beliefs and culture, as well as those of the stakeholders (Haniffa and Cooke,(2005).

One important facet of culture is religion and, given that the latter is not explicitly addressed within Hoftstede’s cultural dimensions, there is a motivation to study its specific effect at the national level. Authors such as Haniffa and Cooke (2002) have already examined the effect of religion as an element of culture and argued that it influenced corporate voluntary disclosure strategies. Kamla (2007) also found that Islamic Sharia, or the Holy Quran, may positively influence the scope of corporate disclosure, because Islamic principles are semantic of a diversity of situations for governance and accounting practices. Also, many researchers have supported the hypothesis that religious principles are relevant to accounting quality (Williams, 1999; Baydoun and Willett, 2000; Archambault and Archambault, 2003; Maali *et al.*, 2006; Kamla, 2007; McGuire *et al.*, 2011; Dyreng *et al.*, 2012). For example, Maali et al. (2006) found that the Islamic Community Corporation provided all-important information that related to its activities, as well as any other information, which could affect it or its stakeholders. It may be that the notion of disclosure is linked to the thought of accountability, particularly from an Islamic perspective (Maali et al., 2006).

Additionally, Dyreng *et al.*, (2012) disscused whether religion is an effective social tool for enhancing corporate financial reporting. They found that companies from regions deemed to be highly religious are likely to present fair and truthful financial reports. In particular, high levels of religious faith encourage disclosure in cash flows and other reports (Dyreng et al., 2012). Hence, managers in highly religious regions are less likely to be involved in tax avoidance or in hiding any bad news in their disclosures (McGuire *et al.*, 2011; Dyreng *et al.*, 2012). Also, Su *et al.* (2011) found religion to have a positive association with corporate disclosure of financial information in Taiwan. Specifically, Christians, and Buddhists, were more likely to disclose any important information that may be necessary to stakeholders, with the strongest positive relationship being linked to the Christian faith (Su et al., 2011). On the other hand, the relationship between non-religious belief and voluntary disclosure practice was insignificant (Su et al., 2011). Consequently, the authors concluded that the religious aspect affected people’s behavior positively as far as corporate voluntary disclosure is concerned (Su *et al.*, 2011).

Violet (1983) argued that accountants and auditors consider national organisational culture when preparing annual reports. National culture influences organisational disclosure practice through decoupling, as asserted by the new social institutional theory.

* + - 1. Country’s Economic Growth and Level of Development

The level of a country’s economic growth might affect corporate voluntary disclosure practice. For instance, stakeholders from countries characterized by a higher extent of economic development require more disclosure than other countries situated in areas with lower economic levels. Demonstrably, Coulter et al. (2001) showed that around 42% of users of annual reports in North America reported that they might penalize socially irresponsible firms. However, in Asia the percentage declined to 8%. For example, the stock market penalizes firms whose activities are deemed unfriendly to the environment, or whose environmental performance is weak, by lowering their share prices (Gupta and Goldar, 2005; Lundgren and Olsson, 2010). Coulter and Cleary (2002) examined the relationship between these variables in North America and Asian countries and found a positive result between disclosure and economic levels of development.

Conversely, other empirical studies have found no relationship between voluntary disclosure and the level of economic growth (Ahmad and Harnhirun, 1995; Williams, 1999; Van der Laan Smith *et al.*, 2005). The context of the studies and sample differences may have caused these conflicting results. For example, Williams (1999)’s sample was 356 companies operating in seven Asia-Pacific countries.

* + - 1. Politics, Government Practices and Capital Market Development

It is argued that companies need to legitimize their activities towards the societies and governments within which they operate (De Villiers and Van Staden, 2006). According to the new institution sociology theory, legitimacy might be achieved by disclosing more information voluntarily (Wilmshurst and Frost, 2000; Magness, 2006; Oliveira *et al.*, 2011). For instance, corporate voluntary disclosure may signal disclosure of corporate socially responsible activities, which may convince a society and a country that the operating activities of the corporation are of benefit them. Further, governments, too, may use corporate voluntary disclosure to communicate how the government is implementing their election manifesto. For example, in the 1990s, the South African government stressed environmental concerns in its election campaign in 1994 (De Villiers and Van Staden, 2006). Thereafter, corporations were encouraged to disclose more information about environmental issues, which they did (De Villiers and Van Staden, 2006). Consequently, corporate voluntary disclosure related to the environment significantly declined and, instead, employment, HIV/AIDs and crime control-related information was provided (De Villiers and Van Staden, 2006), indicating a change in priorities and interest by the South African society and government.. Williams (1999) examined how political and civil systems influenced social disclosure in Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia and Malaysia and found that companies in these countries were likely to voluntarily disclose information that supported government policies. Also, when a free press is allowed, corporate voluntary disclose may be high, a means for the company to respond to press scrutiny (Haniffa and Cooke, 2002; Archambault and Archambault, 2003).

Contrastingly, a country’s level of corruption may have a negative impact on corporate voluntary disclosure, since the prevalence of corrupt practices by government and other parties may lead to high levels of secrecy and opacity, thereby encouraging companies to disclose less information (Rock and Bonnett, 2004). Furthermore, in the case of intrusive governments, corporate voluntary disclosure might influence governmental laws, reduce political interference and assist in avoiding legal costs, such as taxes, fines and legal charges (PradoLorenzo et al., 2009). However, voluntary disclosure may attract the attention of regulators, which may result in regulatory enforcement (e.g. paying fines), and it is likely that the fine might have been avoided without providing this information.

* + - 1. Legal Systems

Legal systems direct corporations about how they should organize, structure and manage their activities (La Porta *et al.*, 1996; Touron, 2005) and behave in society. Additionally, legal systems can have a significant effect on the levels of accounting disclosure because they may dictate maximum and minimum levels of accounting disclosure. The maximum level might be required to prevent the provision of misleading information and the minimum level might be required to provide basic information to stakeholders (Gray, 1988; La Porta *et al.*, 1996 ; Ahmed and Courtis, 1999; Kolk and Perego, 2010). Consequently, it may be argued that an accounting system is largely a product of a legal system and it influences accounting disclosure quality both indirectly and directly (Wallace *et al.*, 1994; Soderstrom and Sun, 2007). When a law states what organizations should disclose, it affects the accounting disclosure directly, while when it does not state, but sets, the environment where disclosure is encouraged, the effect may be indirect (Wallace *et al.*, 1994; Soderstrom and Sun, 2007).

Accordingly, a country’s legal system may affect firms’ voluntary disclosure through coercive isomorphism, whereby the firms’ behaviors are regulated through penalties and fines. Specifically, corporate voluntary disclosure might help firms to avoid or reduce legal litigation when more information is given to the users of financial statements, especially when the performance of companies is not deemed satisfactory (Healy and Palepu, 2001). Skinner (1997) and Field *et al.* (2005) investigated whether more disclosure assists in the reduction of lawsuits, and found that pre-disclosing bad news may reduce the likelihood of litigation. However, Francis *et al.* (1994) discovered that pre-disclosure of losses did not significantly reduce the chances of being sued, and a decline in disclosure did not increase the chance of litigation. It may be that the research design used in these studies may have caused this inconsistency of results. For instance, Field *et al.* (2005) considered any lawsuits brought against the sampled companies, whereas, Francis *et al.* (1994) sampled highly sued corporations and focused only on shareholders’ litigations.

In practice, legal systems are typically divided into common law and code law ones. According to Jaggi and Low (2000), common law largely depends on the previous precedents of court cases issued by judges, while code law is based on the thoughts of legal specialists. For example, most Anglo-American accounting systems, such as those of the UK, Australia, New Zealand, US, Canada and their previous colonized countries, are based on common law (Nobes, 2006; Reverte, 2009). On the other hand, accounting standards in continental European countries, such as Belgium, France, Holland, Sweden, Germany and their previous colonized countries have traditionally been based on code law (Meek et al., 1995).

Legal systems, such as common and code law, can influence disclosure practices in different countries. As has been suggested, common law usually imposes sets of rules on companies (Singhvi and Desai, 1971); these rules broaden ownership and increase access to external funds (Belkaoui and Kahl, 1978; Ball, 2006). Subsequently, the common-law rules may improve corporate governance; in turn, the corporate governance may enhance corporate disclosure (Jaggi and Low, 2000; Nagar *et al.*, 2003). Similarly, firms from countries that operate under common law were found to have a significantly larger extent of voluntary disclosure than those operating under code law (Wallace *et al.*, 1994; Inchausti, 1997; Archambault and Archambault, 2003; Baker *et al.*, 2003; Hope, 2003; Nagar *et al.*, 2003). Low corporate disclosure in code law countries may arise because code law countries tend to emphasise internal ownership, such as creditors and banks, which may already have inside information (Hope, 2003).

* + - 1. Country Accounting Standards

Lastly, accounting standards may also affect corporate voluntary disclosure. For instance, the adoption of International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) were found to have a positive relationship with corporate disclosure (Soderstrom and Sun, 2007; Bischof , 2009; Broberg *et al.*, 2010). The improvements in corporate disclosure may be attributed to the fact that these accounting standards encourage additional, non-mandatory, corporate disclosure. However, whilst previous studies have compared general corporate voluntary disclosure pre- and post-adoption of IFRSs and IASs, the comparison between both quality and the extent of corporate voluntary disclosure usage of IFRS or IASs and domestic accounting standards is missing.

* 1. Syntheses

In summary, corporate voluntary disclosure practice may be a function of firm growth rate, the big 4 audit firms, firm size, corporate reputation, corporate governance practices, the industries in which a firm is operating, firm leverage level, firm liquidity, foreign sales, firm listing status, ownership structure, culture and religion, the country’s economic growth level, politics and government practices, capital market development, and legal systems. Also, New Institutional Sociology, Resource Dependence, Agency, Signalling and Stakeholders Theories might largely explain corporate voluntary disclosure.

Conclusions from the preceding discussion provide five key points about the extant state of the voluntary disclosure literature. Firstly, the five theories discussed attempt to explain how several factors may explain corporate voluntary disclosure practices. The topic of voluntary disclosure has received considerable interest from researchers in recent years; however, there has been limited research on the topic regarding to developing countries (Cooke, 1992; Hossain *et al.*, 2006; Chua *et al.*, 2012). Moreover, Tsang (1998) argued that results from developed countries could not be transferred to developing countries, as their culture, economy and other factors influencing corporate voluntary disclosure may differ.

Secondly, it appears that prior studies specifically about the quality of corporate voluntary disclosure specifically have focused on how corporate voluntary disclosure relates to the costs of capital and environmental disclosure, with the exception of the study by Boesso and Kumar (2007), who studied the association between the quality and quantity of corporate voluntary disclosure and corporate size, the corporate operating industry and corporate governance structure using data from the US and Italy. Therefore, according to best knowledge, this study is the first study to research factors affecting both the quality and quantity of corporate voluntary disclosure in a cross-developing country study.

Thirdly, previous studies have compared general corporate voluntary disclosure between the pre- and post-adoption of IFRSs and IASs, but the comparison between both the quality and extent of corporate voluntary disclosure usage of IFRS or IASs and domestic accounting standards is missing. In addition, according to the best of the author’s knowledge, the relationship between the quality of corporate voluntary disclosure and national legal systems, the financial expertise of directors and audit committees has not been previously studied. In addition, empirical evidence showing how national corruption levels are related to both the quality and quantity of corporate voluntary disclosure remains to be examined.

Fourthly, many studies in the field of corporate voluntary disclosure have only focused on factors affecting corporate voluntary disclosure in single country. Particularly, Wee *et al.* (2013) called for more cross-country studies on voluntary disclosure. Besides, cross-national comparisons are relevant to determine which factors matter the most in those countries, as cross-country studies are still limited. Thus, the author sees this cross-country study as a significant contribution to the field of international accounting. The developing country context is a notable one since it represents countries with a significant potential for growth in the next 20 years.

Lastly, as seen in this chapter, the majority of the findings contradict each other. These contradictions limit the usefulness of these results for policy makers and other interested users of corporate governance studies. Consequently, there is a need to carry more cross-country studies to reconcile these contradictory findings.

Accordingly, the next chapter provides the research hypotheses and how they link to the theories discussed in this chapter. These hypotheses are important in order to answer the research objectives 2, 3, 4, and 5.

# Hypotheses’ Development

## Introduction

This chapter develops hypotheses based on the critical literature review presented in the previous chapter. The chapter presents several hypotheses and relates them to new institutional sociology theory, agency theory or resource dependency theory. These hypotheses demonstrate how the independent variables and corporate voluntary disclosure relate to each other.

The structure of this chapter is as follows: section 3.2 explains the developed hypotheses and, finally, a summary of the chapter is given in section 3.3.

## Hypothesized Relationships

A hypothesis is the provision of provisional accounts about relations amongst factors (Lehmann and Romano, 2006). In determining how the factors relate, some of them must be dependent factors, which are affected by independent factors. The applicable country level independent variables are common laws, professionalism, individualism, uncertainty avoidance, and educational level, level of religion, economic development, press development, corruption level and political freedom. The firm level control variables are Multiple Listing (MUL), Corporate Size (CS), Corporate Growth Rate (CGR), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Audited by Big 4 (4F) and Sensitivity Industry (IS), Profitability Level (PL) as control variables. Diffused Shares Ownership (SD), Institution Shares (SI), the Proportion of Audit Committee Members with Financial Experts (PACF), the Proportion of Board of Directors with Financial Expertise (PBDF), the Proportion of Independent Board Members (PIBD), Duality in The Board Director (DUL) are independent variables. The dependent variables are the extent and quality of firm voluntary disclosure in annual reports. The list of variables and how they were expected to be related is presented in Table 1.

Hypotheses are normally derived from theories. As explained in Chapter two, it is argued that resource dependence and agency theory can explain the firm level factors (Cooke, 1992; Adams, 2002; Lopes and de Alencar, 2010; Farook *et al.,* 2011). Also, cost-benefit theory can explain why large corporates can disclose more than smaller ones (Barako *et al.,* 2006).

However, country level factors show how corporate behavior is affected by, and affects, the environment surrounding it; this aspect can be explained by a combination of new institutional sociology theory, and resource dependency theory. However, agency theory and new institutional sociology theory can explain how corporate governance factors relate to corporate voluntary disclosure. The next section provides a brief discussion of the previous literature, which forms the basis for the formulation of the hypotheses, and how these hypotheses are linked to the theoretical arguments.

Table 1: Expected Relationships between Independent Factors and Corporate Voluntary Disclosure

|  |  |  |  |
| --- | --- | --- | --- |
| Applicable Theory or Theories | Independent variables | Proxies | Expected relation |
| New Institutional Sociology Theory | Legal systems | Common laws | + |
| Professionalism level (IFRS adoption) | + |
| National culture | Individualism | + |
| Uncertainty avoidance | - |
| Education level | + |
| Importance of religion | + |
| New Institutional Sociology Theory | Country economic developments | Economic development | + |
| New Institutional Sociology Theory | Politics, Government practice | Press freedom | + |
| Corruption level | - |
| Political freedom | - |
| Resource Dependence Theory | Firm characteristics | Corporate size | + |
| Resource Dependence Theory | Corporate growth rate (change in sales) | + |
| Resource Dependence Theory | Multiple listings | + |
| Resource Dependence Theory | Leverage level | - |
| Resource Dependence Theory | Liquidity level | - |
| Resource Dependence Theory | Firm’s Profitability | + |
| Industry diversity | + |
| Resource Dependency Theory and New Institutional Sociology Theory | Industry sensitivity | + |
| Agency Theory | Type of external audit | Big 4 audit firm | + |
| Agency Theory | Ownership structure | Shares diffusion | + |
| Institutions | + |
| Agency Theory | Corporate governance | Percentage of Audit committee on board directors with financial experts | + |
| Percentage of independent member on board directors | + |
| Percentage of Board directors with financial expertise | + |
| Non-dual board of director’s leadership | + |

### Country Level Factors

#### Country Legal Systems and Corporate Voluntary Disclosure in Annual Reports

The association of legal systems with corporate voluntary disclosure has been discussed in the literature. To date, the impact of legal systems on corporate voluntary disclosures has been studied by classifying legal systems into Code law, Common law, and Socialist law (David and Brierley, 1985; Wallace *et al.,* 1994; Inchausti, 1997). However, most prior studies examining how legal systems influence corporate voluntary disclosure have considered only Code and Common laws. This is probably because Socialist law has limited application; it may be that the failure of socialist countries has resulted in limited coverage. Consequently, in this study also, only Code and Common laws are used. Singhvi and Desai (1971) claimed that Common law usually imposes a set of rules on corporations, which, according to Belkaoui and Kahl (1978) broaden ownership and increase access to external funds. In contrast, Code law encourages concentrated ownership, which may limit extensive external disclosure (Hope, 2003). Subsequently, Nagar *et al.* (2003) and Jaggi and Low (2000) proposed that where Common law operates, high corporate governance might exist, which may result in high corporate voluntary disclosure. Similarly, firms from countries that operate under Common law were found to have a significantly larger extent of corporate voluntary disclosure than those from Codes law countries (Wallace *et al.,* 1994; Inchausti, 1997; Archambault and Archambault, 2003; Baker *et al.,* 2003; Nagar *et al.,* 2003).

Theoretically, coercive isomorphism may explain why the corporate voluntary disclosure of corporations from Code law countries differs from those operating in Common law countries, because different types of law may dictate how a corporation should behave, possibly with the application of penalties to enforce the laws.

Conversely, Ernstberger and Grüning (2013) found that corporations operating in heavily legalised countries voluntarily disclose less information than those operating in less stringently ruled countries. Consequently, Ernstberger and Grüning (2013) suggested that voluntary disclosure may be required by investors to supplement mandatory disclosure in less stringently legalised countries, while in heavily legalised countries the disclosure might be high because of stringent legal disclosure requirements. However, based on previous research results, it was hypothesized that:

Hypothesis 01: *Firms operating in Common law countries voluntarily disclose more, and higher, quality information than those operating in Code law countries.*

Furthermore, the adoption of International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) might improve corporate voluntary disclosure. Primarily, the adoptions were driven by the need to converge global accounting standards to facilitate financial comparisons (Jones and Finley, 2011). However, the adoption of IFRSs has also been attributed with great improvement in the disclosure (Soderstrom and Sun, 2007; Bischof , 2009), although the quality of disclosure between firms in different countries differed because of country factors, such as legal and political climates (Soderstrom and Sun, 2007). Theoretically, IFRSs and IASs may affect corporate voluntary disclosure positively through normative isomorphism, because they normally encourage further disclosure. In fact, the culture of corporate voluntary disclosure in Taiwan increased significantly after the adoption of IFRSs and IASs (Kuasirikun, 2005). Therefore, it is expected that:

Hypothesis 02: *Firms reporting in accordance with IFRSs voluntarily disclose more, and higher quality, information than those reporting in a country’s local standards.*

#### National culture and Corporate Voluntary Disclosure in Annual Reports

The impact of national culture on corporate voluntary disclosure in the annual reports had mixed results. For instance, considering Hofstede (1984)’s classification of cultural dimensions, namely, power distance, individualism, uncertainty avoidance and masculinity, it is clear that each of these classifications may have its own impact on corporate voluntary disclosure.

Gray (1988) and Jaggi and Low (2000) suggested that the higher the power distance and uncertainty avoidance in a country, the lower the firm voluntary disclosure ethos in that country was likely to be more submissive to an authority, and averse to uncertainty situations, respectively, consequently lowering the demand for information. However, the higher the individualism and masculinity in a country’s culture, the higher the firm voluntary disclosure, because of the great desire for success, resulting in a high demand for information (Gray, 1988; García-Sánchez *et al.,* 2013). These speculations were supported by the results of Darrough (1995), who found that those cultural variables were associated with high corporate voluntary disclosure.

However, masculinity and power distance were found to have a positive impact on the extent of corporate disclosure, while uncertainty avoidance was a non-significant factor (Zarzeski, 1996). Adhikari and Tondkar (1992) found a positive relationship between individualism and the extent of corporate voluntary disclosure, but the culture of uncertainty avoidance was found to have a negative impact. Also, Hope (2003) discovered that individualism and power distance may have a positive impact on the extent of corporate voluntary disclosure, while masculinity and uncertainty avoidance were found to exert a negative influence on it.

Taken together, it was expected that individualism and masculinity would have a positive impact on both the quality and extent of corporate voluntary disclosure, whereas, a culture of uncertainty avoidance and power distance may have a negative impact on the corporate voluntary disclosure, despite the inconsistency of the results.

Other aspects of culture, such as religious and educational levels, also affect corporate voluntary disclosure. An increase in educational level in a country might increase demand for information, which could lead to high corporate voluntary disclosure (Archambault and Archambault, 2003, Elsayed and Hoque, 2010). Likewise, the impact of religion on corporate voluntary disclosure is reportedly positive, as religious belief may lead managers to act more openly (Maali *et al.,* 2006; Su *et al.,* 2011; Dyreng *et al.,* 2012). In particular, managers who are deeply religious may not be self-seeking (Hamid *et al.,* 1993) and they will probably be more transparent than their non-religious counterparts. Subsequently, according to NIS theory, firms’ behavior should reflect the culture of the society in which they are located; otherwise, they may find it difficult to operate if they lack legitimacy. Therefore, it could be hypothesized that:

Hypothesis 03: *Individualist national cultures and corporate voluntary disclosure in annual reports are positive related.*

Hypothesis 04: *Uncertainty avoidance national cultures and corporate voluntary disclosure in annual reports are negatively related.*

Hypothesis 05: *The greater the educational level (literacy) in a country, the greater and higher the quality of firm voluntary disclosure in the country.*

Hypothesis 06: *There is a positive relationship between levels of religion beliefs in a country and corporate voluntary disclosure*

#### Country Economic Growth and Corporate Voluntary Disclosure

The corporate voluntary disclosure policy may depend on the stakeholders that a corporation serves, and the amount of resources that it needs. Stakeholders from developed countries are more information hungry than those from developing ones (Ahmed and Courtis, 1999; Hassan *et al.,* 2011). Coulter *et al.* (2001) discovered a 34% gap in consumers of financial statements between developed and developing countries. Moreover, Archambault and Archambault (2003) asserted that, as an economy grows, corporations might need more external capital, either through capital markets or banks, both of which may lead to high information provision. In fact, these positive relationships between levels of development and corporate voluntary disclosure have been reported by several studies (Adhikari and Tondkar, 1992; Darrough, 1995; Doupnik and Salter, 1995; Archambault and Archambault, 2003).

On the other hand, Nicholls and Ahmed (1995) argued that a low development level might be associated with poor voluntary disclosures, because of lack of proper regulations and controls of corporations’ behavior, as regulation and control may not be the priority of a developing country. For example, disclosure about environmental impact in developed countries is essential, while in developing countries it is still underdeveloped (Becker *et al.,* 2000 ; Kang and Gray, 2013). In other words, operating in developed countries may necessitate a firm to provide more information than its counterparts in developing countries to legitimize their activities. Therefore, the following hypothesis could be established:

Hypothesis 7: *The greater the economic development level in a country, the more and higher quality of the the corporate voluntary disclosure in the annual reports.*

#### Politics, and Government Practice, Capital Market Development and Corporate Voluntary Disclosure in Annual Reports

Apart from the legal system, which in this study is considered as a separate factor, democracy, freedom of the press, speech and economy, as well as corruption can explain the politics and good governance of a country. Salter (1998) surmised that economic freedom may affect the extent and quality of corporate voluntary disclosure indirectly when the freedom increases economic development. When people are free to make their own economic decisions, they may cause corporations needing funds to compete for those funds, and the competition, in return, may increase corporate voluntary disclosure.

Nevertheless, Mohamad and Sulong (2010) proposed that the level of information disclosed and political freedom might be positively related, as, in an environment where there is political freedom, politicians and activists are free to say what they feel, and the disclosure may be used to satisfy the information needs of the people. In addition, other measures of political freedom are freedom of speech, press freedom and media development. Where people are free to speak of their ideas and the press is less regulated, the society, which is likely to comprise stakeholders of firms in that community, may get more information about the firms. Consequently, the level of corporate voluntary disclosure is likely to be high in that society, as corporations may need to satisfy both press and public demands (Haniffa and Cooke, 2002; Archambault and Archambault, 2003). Likewise, the corporations may voluntarily disclose information to the societies and governments in which they operate to legitimize their activities (De Villiers and Van Staden, 2006). However, where there is high political freedom, corporate voluntary disclosure might be low because more information may have been already disclosed to the society through the media. Archambault and Archambault (2003) found that countries with higher political freedom were associated with low voluntary disclosure.

Likewise, government initiatives supporting businesses or working with businesses can encourage levels of corporate voluntary disclosure as a way of signaling, for example, corporate social responsibilities undertaken in a country. Finally, a corrupt government tends to be secretive and the secretiveness decreases the level of disclosure not only of the government itself, but also of the firms it deals with (Rock and Bonnett, 2004). The effect of the level of government corruption on corporate voluntary disclosure may be explained by mimetic isomorphism. In addition, corruption level has been found to decrease with increased quality of accounting reporting (Houqe *et al.,* 2013). Therefore, the following hypotheses were developed:

Hypothesis 08: *There is a positive relationship between press development of a country and corporate voluntary disclosure in annual reports.*

Hypothesis 09: *There is a negative relationship between the corruption level of a country and corporate voluntary disclosure in annual reports.*

Hypothesis 10: *The greater the political freedom in a country, the lower and the poorer the corporate voluntary disclosure in annual reports.*

### Firm Characteristics and Corporate Voluntary Disclosure

#### Size, Growth Rate, Leverage, Foreign Sales, Listing Status, Profitability, Industry and Liquidity

Corporate characteristics: growth rate, size, leverage level, foreign sales, multiple listings, Profitability, firm industry and liquidity level, may affect the extent and quality of corporate voluntary disclosure. Starting with growth rate, the main goal of firms should be to maximize shareholders’ funds (Jensen and Meckling, 1979). The process of maximizing the funds requires grabbing available opportunities; consequently, more funds may be needed to achieve that goal. Acquiring the necessary funds might require extending the disclosure of firms’ activities and projected performances (Hyytinen and Pajarinen, 2005; Khurana *et al.,* 2006; Naser *et al.,* 2006; Wang and Claiborne, 2008; Lopes and de Alencar, 2010). In addition, managers with high growth rates may decide to provide more information voluntarily as a way of signalling their achievements (Singhvi and Desai, 1971). Moreover, according to McGuire et al. (1988), corporate voluntary disclosure behavior might improve a corporation’s reputation and its relationship with its stakeholders and, consequently, this improvement can be reflected by easily accessing financial resources.

Correspondingly, large firms, in terms of assets or sales, may have resources to pay for voluntary disclosure (Buzby, 1975; Barako *et al.,* 2006). Then, they are likely to reduce dissemination costs by frequently producing internal reports, which later on might be compiled for external corporate voluntary disclosure (Barako *et al.,* 2006). In addition, large firms are more likely to have large external stakeholders who may demand more information to diffuse conflict of interests, according to Agency Theory and Resource Dependency Theory (Chow and Wong-Boren, 1987). Subsequently, firm size has been linked to high corporate voluntary disclosure (Riahi-Belkaoui, 2001; Watson *et al.,* 2002; Barako *et al.,* 2006; Naser *et al.,* 2006; Wang and Claiborne, 2008). To illustrate, Watson *et al.* (2002) discovered that corporate size was significant positively related to corporate voluntary disclosure of accounting ratios among UK listed companies. Moreover, Naser *et al.* (2006) discovered that corporate social disclosure was positively related to corporate size, in Qatar. Based these explanations, it is hypothesized that:

*Hypothesis 1: There is a positive relationship between firm size and corporate voluntary disclosure.*

The opposite might be true: a firm that requires little or no external funds may provide only mandatory information or have limited corporate voluntary disclosure (Davis and Tama-Sweet, 2012). Therefore, according to Resource Dependence Theory, corporate disclosure may be used as a way of getting the needed resources, and communicating corporate success. Thus, it can be hypothesized that:

*Hypothesis 2: The corporate growth rate is positively related with the corporate voluntary disclosure in annual reports.*

Moreover, as the firms’ operational scope expands, the more transparent they may become, for two reasons. Firstly, they might want to market themselves to foreign customers who may want to know the firm and their products before trusting them. This information might be given voluntarily in annual reports. Zarzeski (1996) and Archambault and Archambault (2003) found that foreign sales increased with the extension of corporate voluntary disclosure. Secondly, firms may need increasing capital from foreign markets (Archambault and Archambault, 2003), leading to multiple listings. Multiple listings increase information asymmetry because of the large shareholders’ base in several stock markets; corporate voluntary disclosure might reduce information asymmetry (Riahi-Belkaoui, 2001). Moreover, Riahi-Belkaoui (2001) and Dong and Stettler (2011) discovered that firms with multiple listings provided more information voluntarily than those without. Also, Wang and Claiborne (2008) found that foreign ownership increased with extension of corporate voluntary disclosure. Hence, the following relationships are expected:

*Hypothesis 3: Firms with multiple listings voluntarily disclose more and higher quality information than those with single listings.*

Additionally, firm debt level may have both positive and negative impacts on corporate voluntary disclosure. High debt ratio increases the riskiness of leveraged firms, and, hence, conflict of interests (Jensen and Meckling, 1976). Consequently, corporate voluntary disclosure increases with leverage levels (Naser, 1998; Ahmed and Courtis, 1999; Barako *et al.,* 2006; Naser *et al.,* 2006). However, debt providers may gain internal information about firms’ performance, which may reduce their dependence on disclosure in financial statements (Zarzeski, 1996). Consequently, corporate voluntary disclosure might decrease with an increase in leverage level. However, based on agency theory and Resource Dependence Theory, firms with higher leverage levels may voluntarily provide more information to decrease their perceived risk level. Therefore, it is hypothesized that:

*Hypothesis 4: The higher the level of corporate leverage, the higher the quality of corporate voluntary disclosure.*

In addition*,* high profit generally indicates good performance. Thus, firms with high profit may provide brief explanations of their results, which may result in higher levels of corporate voluntary disclosure, especially, when the higher profit is accompanied by a dividends payout (Singhvi and Desai, 1971; Inchausti, 1997; Wang and Claiborne, 2008; Broberg *et al.,* 2010). For instance, Wang and Claiborne (2008) found that the Profitability indicated by return on equity increased the extent of corporate voluntary disclosure. Also, Wang and Claiborne (2008) and Naser *et al.* (2006) found that the Profitability indicated by return on equity increased the extent of corporate voluntary disclosure. The provided information may fulfill management’s custodial responsibility and reduce conflict of interests between managers and funder providers. Therefore, it is expected that:

Hypothesis 5: *The higher the profit levels the more and higher the quality of the corporate voluntary disclosure.*

Likewise, liquidity level of firms may indicate the ability of firms to continue operating for the fore-seeable future. Accordingly, firms with inadequate liquidity may provide more information explaining their survival strategies than those with high adequate liquidity (Wallace *et al.,* 1994), which could reduce the agency costs caused by concern of insolvency. However, other studies have found a non-significant relationship between liquidity levels and corporate voluntary disclosure levels (Belkaoui and Kahl, 1978; Barako *et al.,* 2006). However, because of the explanation provided earlier, it is expected that:

Hypothesis 6: *The higher the liquidity levels, the lesser and the poorer the corporate voluntary disclosure.*

Finally, corporations operating in different industries might differ in terms of corporate voluntary disclosure, because of individual industries’ specification regulations and laws, as indicated by Standard Industrial Classification (SIC) codes. For instance, company laws and financial institution laws might regulate the finance industry, and where firms are public trading corporates they are also regulated by capital markets laws. Moreover, Meek *et al.* (1995) argued that firms in highly technical based industries are likely to voluntarily declare less information to avoid providing information to their competitors. Meek *et al.* (1995) compared corporate voluntary disclosure firms engaged in metals, building materials, and construction, engineering, consumer goods and services, and oil, chemicals, and mining. They discovered that firms in the metals, building materials, and construction, engineering, consumer goods and services industries disclosed more information than firms in the oil, chemicals, and mining industries.

Also, Brammer and Pavelin (2008) investigated how the quality of environmental corporate disclosure relates to industries in which corporations operated in the UK. They found that corporations operating in environmental industries, such as the chemical industry, were likely to report a higher quality corporate voluntary disclosure than those not operating in environmentally sensitive industries, such as services. Consequently, firms operating in sensitive industries, such as the extraction industry, may need to provide more information voluntarily to legitimize their activities because of environmental concerns (Craswell and Taylor, 1992; Meek *et al.,* 1995; Peters and Romi, 2013).

Additionally, operating in many industries can force a firm to inform its stakeholders about its activities through corporate voluntary disclosure. Consequently, Zarzeski (1996) suggested that corporate voluntary disclosure might increase with the number of industries in which corporations operate. This diversification is also said to decrease the cost of disclosure (Chau and Gray, 2002). Furthermore, Wallace and Naser (1996) and Haniffa and Cooke (2002) indicated that an increase in the number of industries in which corporations operate increases corporate voluntary disclosure. Therefore, the following hypotheses are expected to be proven:

Hypothesis 7: *The corporate voluntary disclosure in annual reports increases with the number of industries in which a firm operates.*

*Hypothesis 8: Firms operating in sensitive industries voluntarily disclose in annual reports more than those operating in non-sensitive industries.*

#### Big 4 Audit Firms and Corporate Voluntary Disclosure in Annual Reports

External auditors increase the credibility of financial information by expressing an opinion on financial statements (Schipper, 1981; Watts and Zimmerman, 1986). However, external auditors carry the risk of being sued (auditors’ liability) for negligence when their work is deemed sub-standard (Fargher *et al.,* 2001). The risk of losing reputation because of auditors’ liability could be higher in larger audit firms than smaller ones. Consequently, Archambault and Archambault (2003) supposed that larger audit firms would encourage more corporate voluntary disclosure in order to increase their own credibility. Similarly, Craswell and Taylor (1992) found a significant association between external auditor size and the extent of corporate voluntary disclosure in New Zealand. Likewise, Archambault and Archambault (2003) found a positive link between the size of audit firms i.e. the big six audit firms and corporate voluntary disclosure. Also, Fargher *et al.* (2001) and Wang and Claiborne (2008) found that large audit firms are associated with more corporate disclosure. It is probable that the big 4 audit firms may reduce agency costs through extra corporate disclosure.

However, a non-significant relationship between corporate voluntary disclosure and the size of external audit firms has been reported (Wallace *et al.,* 1994; Ahmed and Courtis, 1999; Barako *et al.,* 2006). Specifically, only mandatory corporate disclosure was found to be affected significantly by the size of audit firms in a Meta study (Ahmed and Courtis, 1999). However, Barako *et al.* (2006) suggested that the inclusion of an audit committee, which is strongly associated with external audit size, may have resulted in non-significant results. However, Ahmed and Courtis (1999) did not exclude the audit committee when studying how large audit firms, i.e. the big 4 firms, affected corporate voluntary disclosure. Indeed, Choi and Wong (2007) revealed that firms with annual reports audited by a large audit firms are likely to have good corporate governance, linking back to the audit committee, which is part of corporate governance. Therefore, it is still convincing to hypothesize that:

*Hypothesis 9: The firms audited by the big 4 audit firms voluntarily disclose more and higher quality information in annual reports than those audited by non-big 4 audit firms.*

#### Ownership Structure and Corporate Voluntary Disclosure in Annual Reports

Published financial statements communicate a firm’s operational activities, financial position, and performance to both internal and external users. Unambiguously, as the number of external users of financial statements increases, the more important the published financial statements become, because of the increase in agency and principle conflict of interests created by separation of ownership and control (Jensen and Meckling, 1976). Subsequently, Archambault and Archambault (2003) suggested that firms owned by external shareholders who cannot access private information disclose more information in their financial statements. Correspondingly, Chau and Gray (2002) and Ho and Shun Wong (2001) found that family control might have a negative impact on corporate voluntary disclosure. Further, increasing shares’ diffusion can increase voluntary disclosure to reduce information asymmetry (Darrough, 1995; Huafang and Jianguo, 2007) as the shares’ diffusion increases agency problems (Dey, 2008).

However, an increase in small shareholders may affect corporate voluntary disclosure negatively. It has been found that the higher the shares’ ownership diffusion i.e. many shareholders with smallholdings, the lower the corporate voluntary disclosure (Hossain *et al.,* 1994; Haniffa and Cooke, 2002; Barako *et al.,* 2006). Zeckhauser and Pound (1990) argued that small shares holdings reduced the power of shareholders to demand more corporate disclosure.

On the other hand, the influence of ownership structures on corporate voluntary disclosure has been also linked to whether shares are held by domestic or foreign investors. The literature mostly agrees that as the number of foreign investors increases, corporate voluntary disclosures goes up (Haniffa and Cooke, 2002; Barako *et al.,* 2006; Huafang and Jianguo, 2007; Wang and Claiborne, 2008). It may be that the extra information provides assurance to foreign investors about their investments, hence reducing the agency problem.

Likewise, firms largely owned by institutional investors, such as governments and pension funds, may tend to have good governance structures to protect their interests. Specifically, institutional investors may have the power to exert pressure on management to increase information disclosure (Jensen and Meckling, 1979b). Subsequently, firms with high institutional shareholdings have been found to provide more information voluntarily in their annual reports than those with or without low institutional shareholdings (Carson and Simnett, 1997; Bushee and Noe, 2000; Barako *et al.,* 2006; Wang and Claiborne, 2008). For example, Wang and Claiborne (2008) found that government ownership, and foreign ownership increased with extension of corporate voluntary disclosure. In totality, it appears that corporate voluntary disclosure is used as a way of regulating perceived agency conflict of interests and, therefore, the following hypotheses are formed:

*Hypothesis 10: Firms with higher diffused shares ownership voluntarily disclosed lesser and poorer information than those with concentrated shares ownership.*

*Hypothesis 11: There is positive relationship between the number of shares owned by institutional shareholders and corporate voluntary disclosure in annual reports.*

#### Corporate governance and Corporate Voluntary Disclosure in Annual Reports

Corporate governance ensures protection of stakeholders’ interests from mismanagement by corporate managers and other insiders (John and Senbet, 1998). The mismanagement may occur because of conflicting interest between managers and fund providers (John and Senbet, 1998; Dey, 2008). Dey (2008) found a positive relationship between the quality of corporate governance and perceived conflict interest levels. Therefore, one way of reducing agency conflicts may be through extensive corporate voluntary disclosure.

However, the relationship between corporate governance and corporate voluntary disclosure has been divided into the effect of an audit committee, composition of the board of directors and board leadership style. The presence of an audit committee can improve corporate voluntary disclosure, because it can take responsibility for ensuring proper disclosure (Dey, 2008). Several studies have found a positive correlation between the presence of audit committees and high corporate voluntary disclosure (Wallace and Naser, 1996; Ho and Shun Wong, 2001; Klein, 2002). This relationship is attributed to the fact that the audit committee is mainly made up of independent directors (Ho and Shun Wong, 2001; Dey, 2008) and the committee improves the internal control of firms (Forker, 1992).

Moreover, Mohamad and Sulong (2010) suggested that where an audit committee significantly consisted of independent members, it might influence corporate transparence positively. Also, the presence of financial experts on audit committees can lead to higher corporate voluntary disclosure, as the experts may be able to extensively review annual reports, and suggest improved disclosure (Bedard *et al.,* 2004; Carcello *et al.,* 2006; Krishnan and Visvanathan, 2008). In fact, it was found that having financial experts as audit committee members could decrease the practice of earnings management (Bedard *et al.,* 2004; Carcello *et al.,* 2006) and improve internal control (Zhang *et al.,* 2007).

On the other hand, the board of directors normally consists of executive and independent members. The function of independent members is to safeguard the interest of the firms’ stakeholders, such as its shareholders (Rosenstein and Wyatt, 1990; Cotter *et al.,* 1997; Healy and Palepu, 2001; Clemente and Labat, 2009). Subsequently, as the number of independent members on a board of directors’ increases, the corporate governance may increase, and can result in more corporate voluntary disclosure. The proportion of independent directors on a board of directors has been found to have a positive association with corporate voluntary disclosure (Forker, 1992; Chen and Jaggi, 2001; Ho and Shun Wong, 2001). Furthermore, Cheng and Courtenay (2006) discovered that the number of independent board members was positively related to the quality of corporate voluntary disclosure in Singapore companies.

However, Eng and Mak (2003) and Barako *et al.* (2006) reported a negative relationship between the number of non-executive board members and corporate voluntary disclosure. The lack of independence of some non-executive directors might cause a negative relationship between the number of independent board members and firm voluntary disclosure (Barako *et al.,* 2006). Additionally, the presence of independent board members may reduce the need for disclosing more information, as the members are assumed to represent the interests of external stakeholders (Eng and Mak, 2003).

Family controlled corporations may have boards of directors full of family members. Hence, the corporations may have leaders who are owners too; this lack of separation of ownership and management may reduce conflict of interests (Nicholls and Ahmed, 1995). In that situation, corporate voluntary disclosure may be low, as owners can access information internally and may be largely involved in running the companies. In fact, it has been discovered that as the number of family members on a board of directors increased, the quantity of corporate voluntary disclosure decreased (Chau and Gray, 2002; Haniffa and Cooke, 2002; Mohamad and Sulong, 2010).

Board leadership style refers to whether a Chief Executive Officer (CEO) is, or is not, also the chairperson of a board of directors. The separation of these two jobs improves corporate governance practices, as it strengthens the check and balance within a corporation (Fama and Jensen, 1983). Forker (1992) and Allegrini and Greco (2013) found the presence of different leaders: one as a board of directors and another as CEO increases the extent of corporate voluntary disclosure. However, Ho and Shun Wong (2001) reported the lack of a relationship between the extent of corporate voluntary disclosure and board leadership style. They suggested that CEO in Hong Kong were sometimes major shareholders; therefore, the board leadership style may not matter in the absence of separation of ownership and control. In addition, Cheng and Courtenay (2006) discovered that CEO duality was not positively related to the quality of corporate voluntary disclosure in Singapore companies. Also, Lam and Lee (2008) discovered that the CEO and the Director of the Board dual roles operated well in non-family businesses in Hong Kong.

Finally, the educational and expertise levels of the independent board of directors members may have a positive impact on the level of corporate voluntary disclosure. Haniffa and Cooke (2002) and Dey (2008) proposed that board members with a business education might push for higher disclosure, because of their understanding of financial information. Likewise, the inclusion of financial directors on the board might expand the disclosure practice of companies by including financial forecasts (Neu, 1992; Farook *et al.,* 2011; Reeb and Zhao, 2013). However, Haniffa and Cooke (2002) found a non-significant relationship between board of directors’ educational level and the extent of corporate voluntary disclosure. The following hypotheses were therefore tested:

*Hypothesis 12: The percentage of audit committee members with financial expertise is positively related to firm voluntary disclosure in annual reports.*

*Hypothesis 13: The percentage of independent board members is positively related to firm voluntary disclosure in annual reports.*

*Hypothesis 14: The percentage of board members with financial expertise is positively related to firm voluntary disclosure in annual reports.*

*Hypothesis 15: The separation between the leader of the board of directors and the CEO is positively related to firm voluntary disclosure in annual reports.*

## Summary

This chapter developed the hypotheses, which were tested in this thesis. Specifically, the chapter hypothesised about how the extent and quality of corporate voluntary disclosure relates to firm characteristics and country factors, which were all geared towards answering the set research objectives. In the next chapter, the research approach is explained in detail.

# Research Design and Methodology

# Introduction

This chapter discusses the research approach, data collection method and data sources, sample selection procedures, and the research instrument used for measuring the quality and quantity of corporate voluntary disclosure. Furthermore, it operationalizes the corporate and country level independent variables, and presents the multiple regression model that was used when analysing the data. Finally, it closes the chapter with a short conclusion.

The remainder of the chapter is divided into eight sections. Section 4.2 addresses the general research design employed in this study. Section 4.3, source of data, shows how the data was collected and the selection of countries and samples process. Section 4.4 presents how the corporate voluntary disclosure index was constructed to measure both the quality and quantity of the corporate voluntary disclosure, while Section 4.5 presents the hypotheses to be tested, as developed from the literature. Section 4.6 explains the statistical analysis that was conducted to achieve the research objective specified in Chapter 1 and to test the hypotheses. Section 4.7 examines the ethical issues for this study and, finally, Section 4.8 provides the conclusions of the chapter.

* 1. Research Design

Positivism, which is sometimes called a deductive or quantitative approach, was selected for this thesis. The positivist approach proposes that there are relationships, or causality relationships among variables in the real world (Hudson and Ozanne, 1988; Johnson and Onwuegbuzie, 2004). The assumed reality is capable of being measured and separated from other variables, and researchers, precisely and objectively (Hudson and Ozanne, 1988; Johnson and Onwuegbuzie, 2004). Consequently, the positivist approach is normally used when testing statistical relationships amongst variables (Singmann and Klauer, 2011). These, relationships might come from existing theories, then changed into testable hypotheses, and the testing is facilitated with the availability of empirical quantitative data (Orlikowski and Baroudi, 1991; Gill and Johnson, 2010). Theories are supported when the hypotheses are established; otherwise, the theories may lack empirical support, which may raise the need for some modification of the theories (Orlikowski and Baroudi, 1991; Israel *et al.,* 1998; Johnson and Onwuegbuzie, 2004). In addition, quantitative research can be generalized beyond the scope of the sample study when the amount of data collected is large (Orlikowski and Baroudi, 1991; Gill and Johnson, 2010). Therefore, quantitative research design is a well-established approach to identifying the determinants of corporate voluntary disclosure.

On the other hand, an interpretative or qualitative approach assumes that the determination of relationships may be impossible because of enumerable relationships and the inseparability of variables, and researchers, from items of investigation. Consequently, this approach takes a holistic view of the world (Hudson and Ozanne, 1988; Johnson and Onwuegbuzie, 2004). Thus, the approach provides a deep explanation and description of the researched issues. In addition, the interpretative approach mainly aims at examining a smaller sample size than a quantitative approach, so the results from the qualitative method can provide a larger view of the examined phenomena, which may not be possible with a quantitative approach (Hudson and Ozanne, 1988; Orlikowski and Baroudi, 1991; Gill and Johnson, 2010). The qualitative technique requires abundant data to study the research problem deeply.

Subsequently, a positivist approach was employed, since all of the research objectives and hypotheses are about how independent variables relate to corporate voluntary disclosure. Specifically, as discussed in *Chapter 1: Introduction,* the research questions were: What is the association between firm level factors and the quantity / quality of voluntary disclosure? And, how do country level factors influence the quantity and quality of voluntary disclosure in a given country? Studying these relationships would be impossible with a qualitative approach unless the qualitative data was converted into the form of quantitative data (Gill and Johnson, 2010). Additionally, using a qualitative technique in some cross-country studies is almost impossible, because of the enormous amount of data that may be required and the intensity of analysis needed (Landman, 2008; Gill and Johnson, 2010). However, the positivist approach ignores qualitative data, which may provide more information helpful to understanding a researched issue, and it considers a holistic picture of the researched issue (Hudson and Ozanne, 1988; Orlikowski and Baroudi, 1991).

* 1. Source of Data and Data Collection Process

Data was gathered from annual reports and several websites. The research utilized secondary data because of its high external validity, availability and costs effectiveness (Gill and Johnson, 2010). This secondary data was high in external validity as it represented real corporate voluntary disclosure, but low in internal validity, as no control of the variables relating to corporate voluntary disclosure was implemented. Consequently, no causal and effect relationship is claimed by this study. By definition, external validity refers to the extent of applying the results from a certain sample to another sample not involved in the study (Hair *et al.,* 2010), whereas, internal validity refers to how independent variables causally influence changes in dependent variables (Hair *et al.,* 2010).

Moreover, cross-country studies have increasingly used secondary data from published annual reports because other methods are very expensive and might be impractical (Gray *et al.,* 1995; Meek *et al.,* 1995; Wang *et al.,* 2008; Elbannan, 2011). Specifically, the levels of both the quality and quantity of corporate voluntary disclosure were manually extracted from the 2011 and 2012 annual reports, as was the data for the firm level independent variables. These reports were extracted from the websites of selected corporations. In totality, this study covered 600 annual reports of 300 listed companies from 10 countries: Turkey, Singapore, Malaysia, India, Ghana, Nigeria, South Africa, Brazil, Mexico and Chile, for the years 2011 and 2012. This study considered the years 2011 and 2012 to have data from current annual reports.

Data for the country level independent variables was drawn from The Central Intelligence Agency’s website (https://www.cia.gov/library/publications/the-world-factbook/fields/2100.html, 2013) and the International Accounting Standards Board (IASB)’s website (http://www.ifrs.org/Pages/default.aspx, 2013). Others were taken from the Greet-Hofstede website (http://geert-hof stede.com/national-culture.html, 2013), the United Nations Educational, Scientific and Cultural Organisation (UNESCO)’s website (http://www.unesco.org/new/en, 2013) and Gallup’s website (http://www.gallup.com/home.aspx, 2013). Finally, the rest of data was taken from the World Bank’s website (http://www.worldbank.org/, 2013), the Reporters Without borders website (http://en.rsf.org/, 2013), the Transparency Organisation’s website (http://www.transparency.org.uk/, 2013), the website of Freedom House (http://en.rsf.org/, 2013), and Bloomberg’s website (http://www.bloomberg.com/, 2013).

In detail, the Central Intelligence Agency’s website provides descriptions of countries’ legal systems, and the CIA is an organization that is responsible for providing intelligence on a wide range of national security issues. For this study, the legal systems of the selected countries were classified according to the CIA data. However, data from the International Accounting Standards Board (IASB)’ website was used to find the levels of IFRS adoption by the selected countries. The International Accounting Standards Board (IASB) website aims to increase the quality of IFRSs, understandability and comparison of financial reports.

The Greet-Hof stede’s website was used when assigning the national culture of the selected countries. The Greet-Hof stede website provides country scores for national cultural dimensions globally. These scores are collected through online survey, smart-phone applications, videos and other methods. On the other hand, the UNESCO website provides information about education, health, peace and other data regarding aspects of human life. This study used UNESCO data in order to measure the levels of tertiary education and the enrolment rates in the selected countries.

The Gallup website presents data that studies and analyses the attitudes of societies worldwide about the importance of religion, so this data for the selected countries was extracted from the Gallup website. The World Bank website provides data about the economic development of countries around the world, thus the economic growth rates of the chosen countries were taken from that website.

Data from the Reporters Without Borders website focuses on Internet restrictions and other matters related to freedom of speech. Additionally, this website provides an up-to-date index of press freedom annually, which shows the levels for the freedom of the press and media worldwide. Inversely, the Transparency Organisation website aims at stopping, or in some cases reducing, levels of corruption by enhancing transparency, accountability, integrity, solidarity, courage, justice and democracy. In this study, data from the Transparency Organisation’s website was used to measure the levels of corruption in the sampled countries.

Data from the Freedom House’s website assesses levels of democracy, political development, and it provides an annual index of human freedom globally. This information was helpful in measuring the levels of political freedom in the selected countries. Finally, the Bloomberg website provides data about financial markets and the financial services in each country. It has been used frequently in prior studies because it provides information about stock markets, listed companies and their industries, board directors, financial highlights, annual reports and share volatility (Frankel *et al.,* 1999; Cormier *et al.,* 2012; Omran, 2013; Franco and Mapa, 2014).

In this thesis, all the listed companies of the researched countries were collected from the Bloomberg website; then 300 hundred companies were randomly selected using the random function on Microsoft Excel. With exception of Ghana and South Africa, 30 listed companies were randomly selected from each of the countries. In the absence of annual reports on a company website, the company concerned was discarded, and a replacement company was selected randomly from the remaining corporations, until the sample of 30 companies with annual reports was completed. What is more, if the annual report was not in the English language, a company would be also be discarded from the list, and another was added randomly. However, the Accra stock exchange market, in Ghana, had 36 listed companies, but only 29 companies were selected because there was an absence of annual reports in the English language. Therefore, 31 companies from South Africa were included in this study, to fill the gap in the Ghanaian stock exchange. A randomising sampling approach may spread probabilities equally among participants, so that significant results may occur by chance, hence increasing the internal validity of the results (Mitchell and Janina, 2013).

* 1. Selection of Countries and Sample of Listed Companies

Two factors were considered in the selection of countries and listed companies. Firstly, this research focused on the listed companies that operate in top emerging economies, according to the World Bank website. For this factor, Turkey, Singapore, Malaysia, India, Ghana, Nigeria, South Africa, Brazil, Mexico and Chile were selected, as they were among the top emerging economies and developing countries. Secondly, the availability of annual reports in English language was taken into author account to remove any translation problem.

After selecting the countries, the companies listed on each country’s stock exchange were considered by population, from which corporations were selected randomly from each country. Specifically, the Istanbul stock exchange in Turkey had 443 listed companies, the Singapore Stock exchange in Singapore had 787 listed companies, and the Bursa Malaysia stock exchange in Malaysia had 927 listed companies. The National Stock Exchange in India had 4353 listed companies, the Ghana Stock Exchange in Ghana had 36 listed companies, and the Nigerian Stock Exchange in Nigeria had 189 listed companies. Moreover, the Johannesburg Stock Exchange in South Africa had 363 listed companies the Bahia Sergipe Alagoas Stock Exchangein Brazil had 591 listed companies, the Santiago Stock Exchange in Chile had 272, and the Mexican Stock Exchange in Mexico had 474 listed companies. Following this, as stated previously, (30) corporations were selected from each country, with exception of Ghana (29) and South Africa (31).

* 1. The Research Instrument and Procedure

This section explains the research instrument, which was used when collecting data about both the quality and quantity of corporate voluntary disclosure. Specifically, it elucidates the quality and quantity of corporate voluntary disclosure in the annual reports separately. However, the disclosure index, which is based on annual reports, excludes other information disclosed in other disclosures, such as new conferences and interim reports (Healy and Palepu, 2001). However, as the annual reports report annual activities and events, the disclosure is likely to include all information disclosed during a year. Additionally, annual reports are normally presented in almost similar ways, which increases their comparability, and they are likely to be produced almost in the same financial year. In fact, this study sample identified different financial year endings. These were at the end of January, February, March, April, May, June, July, August, October, November and December annually and it was considered sensible to find the average exchange rate for each single annual report separately. In fact, most of the corporations had their financial year ending 31st December and the financial statement commonly included 12 months. This coincidence reduced seasonal factors which may affect their financial performance and position (Hail, 2002).

* + 1. Measure of Quantity of Corporate Voluntary Disclosure

To date, various methods have been developed to measure the extent of corporate voluntary disclosures; these methods have included content analysis, interview of users or financial analysts, and the disclosure index. According to Hassan and Marston (2010), interviews and questionnaires were named as methods that do not use information disclosed in annual reports and other means (but they do gain the perceptions of respondents), while content analysis and the disclosure index were grouped together as they use information disclosed by corporations. Indeed, researchers opting for the interview and questionnaire methods seek the perceptions of users of disclosed information regarding its quantity. For instance, Coleman *et al.* (1997) interviewed financial analysts and investors about the extent of corporate disclosure in the UK and found that investors and analysts may need different information, either financial or non-financial, according to their needs. Another good example of research that adopted this method is data collected by the Association for Investment Management and Research, which focussed on the perceptions of financial analysts about corporate disclosure (Hassan and Marston, 2010). For instance, Botosan and Plumlee (2002) using data from the Association for Investment Management and Research, discovered that the costs of capital may decrease with corporate disclosure.

This approach is simple and may involve many respondents, but it may have low respondent rates. Moreover, the reliability of the results depends on the superiority of the interview and questionnaire questions, as poor design of the questions might yield the wrong answers (Lang and Lundholm, 1993; Fraser and Lawley, 2000; Hassan and Marston, 2010; Mitchell and Janina, 2013) and respondent bias may affect the results (Riahi-Belkaoui, 2001).

On the other hand, content analysis has been used to assess the quantity of corporate voluntary disclosure in annual reports. Content analysis is a method of analysing qualitative information through decoding the meaning of sentences, works or paragraphs and categorizing the original data into meaningful sub-categorises (Graneheim and Lundman, 2004; Krippendorff, 2012). However, content analysis can be time consuming (Krippendorff, 2012) and, with 600 annual reports to be analysed, content analysis might be impractical. Computer sof tware, such as NVivo, may reduce the time spent in data coding. But using computer programmes or counting the number of words excluding information presented in term of graphs, tables or pictures when studying corporate disclosure may not be effective (Hassan and Marston, 2010). Also, computers may fail to understand the meaning of entire sentences (Beattie *et al.,* 2004). So, the researcher’s involvement in the coding process was still pivotal.

The corporate disclosure index instrument is the most used approach that contains items supposed to be voluntarily disclosed in annual reports. A researcher scores 1 when an item is disclosed, and scores 0 when it is not disclosed, when the aim of the research is to measure the quantity of corporate voluntary disclosure (Healy and Palepu, 2001; Archambault and Archambault, 2003; Beattie et al., 2004; Chavent et al., 2006; Buniamin, 2012). According to Chavent et al. (2006), the quantity of corporate voluntary disclosure using the disclosure index is presented in the following equation:

In the equation, the numerator represents the total real scores, while the denominator is the maximum score on the disclosure index. Also, di represents an item in the disclosure index, m represents the amount of items in the voluntary index, and n is the total number of all items in the disclosure index. Consequently, the disclosure index compares what is disclosed to what should have been disclosed on selected items. It is argued that this method considers only relevant information and does not condemn corporations for not disclosing items not included in the disclosure index (Chavent et al., 2006).

Furthermore, the disclosure may be weighted, meaning that assigning difference importance to different items in the disclosure index or assigning them as un-weighted, meaning that all items in the disclosure index are given identical status (Wallace et al., 1994; Chen and Jaggi, 2000; Archambault and Archambault, 2003; Ernstberger and Grüning, 2013). The argument is in favour of a weighted corporate disclosure index, in that disclosed items do not have an equal importance to different users of the information (Wallace et al., 1994; Chen and Jaggi, 2000). However, a weighted corporate voluntary disclosure index is criticised as being subjective, as users of the formation may rank the importance of the information differently (Ahmed and Courtis, 1999). Furthermore, there is a need to survey users about how they value items in the corporate voluntary disclosure index when a weighted approach is chosen (Beretta and Bozzolan, 2008; Elsayed and Hoque, 2010). This survey may be either impossible when doing large-scale study or too costly. Subsequently, many researchers have used an un-weighted corporate voluntary disclosure index to maintain the objectivity of the data (Wallace et al., 1994; Chen and Jaggi, 2000; Archambault and Archambault, 2003; Chavent et al., 2006; Ernstberger and Grüning, 2013).

Therefore, this study adopted an un-weighted corporate voluntary disclosure index method to measure both the quality and quantity of corporate voluntary disclosure. The un-weighted scoring technique was adopted to avoid subjectivity (Chow and Wong-Boren, 1987) and to give equal importance to all users of financial statements (Gray et al., 1995; Lan et al., 2013). Ahmed and Nicholls (1994) and Meek et al. (1995) had used the un-weighted scoring technique in their studies. Therefore, its adoption in this study, enabled the study’s results to be comparable with previous ones.

Additionally, results from the content analysis and the disclosure index were found to be similar (Hackston and Milne, 1996). Specifically, Hackston and Milne (1996) investigated how Profitability, corporate size and industry related to corporate social and environmental disclosure, using both the disclosure index and content analysis. The researchers revealed that corporate size and industry type were positively related to the corporate disclosure, but that Profitability level was not a significant factor in explaining the corporate disclosure in New Zealand.

#### Voluntary disclosure checklist

The corporate voluntary disclosure checklist was developed using checklists used by many previous studies (Meek *et al.,* 1995; Chau and Gray, 2002; Wang *et al.,* 2008; Akhtaruddin *et al.,* 2009; Murcia and Santos, 2010; Lan *et al.,* 2013). The adoption of the corporate voluntary disclosure checklists facilitated comparisons of research findings (Chau and Gray, 2002). The adoption of an existing corporate voluntary disclosure index increased construct validity, as they had already been tested and were therefore likely to measure what they were intended to measure (corporate voluntary disclosure). Construct validity refers to the extent to which an instrument captures the variables it intends to measure (Hair *et al.,* 2010). Moreover, construct validity was improved by eliminating items which are mandatory in Turkey, Singapore, Malaysia, India, Ghana, Nigeria, South Africa, Brazil, Mexico and Chile. The elimination was done by comparing the mandatory disclosure enshrined in the countries’ accounting and reporting standards and reported to the countries’ national Board of Accountants and Auditors (http://www.ifrs.org/Pages/default.aspx, 2013). Also, recent studies on corporate voluntary disclosures in the selected countries were surveyed to identify voluntary disclosure checklists in those countries. For instance, the studies by Uyar *et al.* (2013) in Turkey, Chau and Gray (2002) in Singapore, Ho and Taylor (2013) in Malaysia, Adelopo (2011) in Nigeria, Scholtens and Kang (2013) in Asian countries, and Murcia and Santos (2010) in Brazil were consulted.

Consequently, the remaining corporate voluntary checklists represented 61 items, which were voluntarily disclosed across the countries under study. Moreover, the classification of checklist items by Meek *et al.* (1995) Wang *et al.* (2008) and Lan *et al.* (2013) were adopted, because the items are classified according to their intended users. According to this classification, general corporate information, corporate strategy, and future prospects are named as strategic information. The strategic information is mainly useful to investors (Meek *et al.,* 1995; Wang *et al.,* 2008; Lan *et al.,* 2013). Additionally, information about directors, employees, social policy, customer and supplier disclosure and value added information is called non-financial information. The non-financial information is useful to almost all stakeholders of corporations (Meek *et al.,* 1995; Wang *et al.,* 2008; Lan *et al.,* 2013). Finally, financial review, and stock price information are called financial information. The financial information is, again, useful to investors (Meek *et al.,* 1995b; Wang *et al.,* 2008; Lan *et al.,* 2013).

Chau and Gray (2002, p. 251) identify that a voluntary disclosure index is measured by “TVD/MVD—the number of total voluntary disclosures (TVD) as a proportion of the maximum voluntary disclosure possible (MVD)”. Furthermore, a company gets ‘1’ if it disclosed an item on the voluntary disclosure checklists and gets ‘0’ if it did not disclose the item. Therefore, the maximum score was 61 for the quantity of corporate voluntary disclosure. Specifically, the list of corporate voluntary disclosure is as follows in Table 2, below:

Table 2: List of Corporate Voluntary Disclosure Checklist

|  |  |
| --- | --- |
|  | Reference |
| General corporate information | |
| Mission statement | Meek *et al.,* 1995;  Wang *et al.,* 2008;  Lan *et al.,* 2013 |
| Brief history of company |
| Organisational structure |
| Company’s contribution to the national economy |
| Ethical rules |
| Corporate strategy | |
| Statement of strategy and objectives —financial | Meek *et al.,* 1995;  Wang *et al.,* 2008;  Lan *et al.,* 2013 |
| Statement of strategy and objectives—marketing |
| Statement of strategy and objectives—social |
| Impact of strategy on current / future results |
| Information about regional political stability |
| Industry trend analysis |
| Competitor analysis |
| Future prospects | |
| Forecast of sales | Meek *et al.,* 1995;  Wang *et al.,* 2008;  Lan *et al.,* 2013 |
| Forecast of profits |
| Description of capital project committed |
| Committed expenditure for capital projects |
| Information about directors | |
| Age of the directors | *Uyar et al. (2013)*  *Ho and Taylor (2013)*  *Adelopo (2011)*  *Chau and Gray (2002*  *Scholtens and Kang (2013*  *Murcia and Santos (2010)* |
| Educational qualifications |
| Commercial experience of directors (nonexecutive/ executive) |
| Other directorships held by non- executive/ executive directors |
| Names of directors |
| Structure of the Board of Directors |
| Shares held by directors and senior managers |
| Pay packages of directors and senior managers |
| Employee information | |
| Geographical distribution of employees | Meek *et al.,* 1995;  Wang *et al.,* 2008;  Lan *et al.,* 2013  *Uyar et al. (2013)*  *Ho and Taylor (2013)*  *Adelopo (2011)* |
| Categories of employees by sex |
| Benefit information |
| Safety policy |
| Information about employee workplace safety |
| Education and training |
| Relationship with labour unions |
| Social policy and value-added information | |
| Safety of products | Meek *et al.,* 1995;  Wang *et al.,* 2008;  Lan *et al.,* 2013  *Uyar et al. (2013)*  *Ho and Taylor (2013)*  *Adelopo (2011* |
| Environnemental protection programs |
| Community programs (health, sport, education, cultural creation or donation) |
| Value-added statement |
| Value-added data |
| Value-added ratios |
| Qualitative value-added information |
| Social reporting and value-added information |
| General philanthropy |
| Statement about the adequacy to safety regulation |
| Complains about company’s products and services |
| Statement of corporate social responsibility |
| Statement of environmental policy |
| Financial review | |
| Profitability ratios | Meek *et al.,* 1995;  Wang *et al.,* 2008;  Lan *et al.,* 2013 |
| Qualitative comment on Profitability |
| Liquidity ratios |
| Gearing ratios |
| Changes in research and development |
| Effects of inflation on operations and assets |
| Stock price information | |
| Share price trend | *Uyar et al. (2013)*  *Ho and Taylor (2013)*  *Adelopo (2011)*  *Chau and Gray (2002*  *Scholtens and Kang (2013*  *Murcia and Santos (2010)* |
| Market capitalization at year-end |
| Market capitalization trend |
| Volume of shares traded (trend) |
| Share evolution |
| Customer and supplier disclosure | |
| Main customer, contractual relationship, price, bargaining power | *Uyar et al. (2013)*  *Ho and Taylor (2013)*  *Adelopo (2011)*  *Chau and Gray (2002*  *Scholtens and Kang (2013*  *Murcia and Santos (2010)* |
| Geographic diversification and characteristic of trial network |
| Customer satisfaction, retention, loyalty |
| Customer Profitability and dependence |
| Main suppliers, contractual relationship, and bargaining power |
| Supplier satisfaction, retention and commitment |

* + 1. Measure of Quality of Corporate Voluntary Disclosure

Measuring the quality of information disclosed has been found to be a difficult task (Hopkins, 1996; Beretta and Bozzolan, 2004; Botosan, 2004). However, several researchers have attempted to explain how to measure this daunting subject. For instance, (Botosan, 2004), based on the conceptual frameworks of the International Accounting Standards Boards (IASB), suggested four attributes of the quality of corporate disclosure and how to measure them. The first attribute is understandability, meaning that the information disclosed should be understandable by the intended users. Therefore, Botosan (2004) proposed that the first step in measuring this attribute is to discover the users of the disclosed information and to ask them to rank its quality.

The second attribute is relevance, which is that the information provided should be suitable for its intended users. Similarly, the first step in measuring this attribute is the determination of users who could decide whether the information disclosed improved their decisions (Botosan, 2004). The third attribute of information is reliability, in that the information should be neutral and free from error and manipulation (Botosan, 2004). However, Botosan (2004) stated that researchers need to be part of the disclosing company to quantify the reliability of the information provided. Finally, quality information is comparable over years; the comparability is determined through analysing the disclosure instruments, for example, financial statements, and then investigating how similar information has been reported over time (Botosan, 2004). For instance, Riahi-Belkaoui (2001) used financial analysts’ ratings, provided by the Financial Analysts Federation Corporate Information Committee, to investigate how the quality of corporate voluntary disclosure related to corporate size and multi-nationality. In their ratings, the analysts considered not only the information in annual reports, but also information contained in other reporting means, such as interim reports and press releases, when making their evaluation of the quality of the corporate voluntary disclosure (Riahi-Belkaoui, 2001). Riahi-Belkaoui (2001) found that the quality of corporate voluntary disclosure may vary positively with corporate size and multiple listings.

However, users or analysts maybe biased when ranking the understandability, relevance and comparability of the data (Core, 2001). Also, the rating process can be time consuming, but Core (2001) proposed that researchers should use computer programmes to facilitate rating the quality of disclosure, and in the creation of disclosure quality proxies. Specifically, Core (2001) suggested that imitation of the Association for Investment Management and Research (AIMR) rating programmes would be helpful. However, it is difficult to know how analysts involved in the AIMR programme rate the quality of disclosure, as their instruments are not available.

However, Beattie *et al.* (2004) claimed that the quality of information has two attributes: relative amount and diversion of reporting. For relative amount, they argued that the quality of information provided is a function of the quantity of the disclosed information in proportion to the size and complexity of a disclosing entity (Beattie *et al.,* 2004). The market value of the entity can indicate its size; in contrast, the number of business segments indicates its complexity (Beattie *et al.,* 2004). However, Beattie *et al.* (2004, p.230) proposed that “standardised residuals (variable labeled StdRes) from a *regression* of the number of text units on size and complexity” should measure the quality of disclosure. Text units are portions of sentences that carry different meanings and are determined using content analysis (Beattie *et al.,* 2004; Beattie and Thomson, 2007).

With regard to the dispersion of disclosure, they argued that high quality information should have balanced dispersion across many topics or items (Beattie *et al.,* 2004). They suggested that the dispersion/concentration should be measured by the Herfindahl index, given by:

where pi is the proportion of disclosures in topicor item. According to the authors, the higher the index, the weaker the quality of information, as it shows less dispersion of the information, but the maximum of the index is 1. Furthermore, calculation of the index can be based on the main and /or sub-topic/item level, although basing on main topics/items is discouraged by the fact that many companies provide main topic disclosure items (Beattie *et al.,* 2004). Alternatively, high quality disclosure has many complete sub-topic disclosure items because the disclosure might be well-balanced (Beattie *et al.,* 2004).

Nevertheless, standardised residuals, the Herfindahl index at main and sub-topic level, and the number of complete sub-topics may be combined to provide a general overview of the quality of disclosure (Beattie *et al.,* 2004). Furthermore, the computation of an overall value of the quality of disclosure requires standardising both the Herfindahl index at the main and sub-topic levels, and for the number of complete sub-topics to be consistent with the standardised residuals. However, before that process, the Herfindahl index at the main and sub-topic levels should be reversed (i.e. 1-H) so that high quality disclosure is represented by a high value in the index. The overall measure of the quality of disclosed information is merely a simple average of the standardised variables, given by:

where qi represents the attributes of the quality of disclosure.

Finally, other studies have assumed that positive correlation between the quantity and quality of voluntary disclosure exists, and that the quality of disclosure can also be measured through the disclosure index (Hail, 2002; Botosan, 2004). Disclosing more information may help users to understand the information disclosed, and enable them to make better decisions (Hassan and Marston, 2010). However, this method is also criticised, in that it compares quantity disclosures of companies rather than the users’ value of the quality of the information (Botosan, 2004).

Nevertheless, there is still no agreement about how the quality of disclosure should be measured (Botosan, 1997; Core, 2001; Hail, 2002; Botosan, 2004; Cheng and Courtenay, 2006; Boesso and Kumar, 2007). For instance, Cheng and Courtenay (2006) investigated how the numbers of independent board members were related to the quality of corporate voluntary disclosure in Singapore companies. The quality of corporate disclosure was indicated by the disclosure index, denoting ‘0’ for merely disclosing an item on the disclosure index, and ‘1’ for adding a quantitative description of an item. It was proposed that the data presented in a quantitative manner was more informative than that presented in a qualitative way (Cheng and Courtenay, 2006). However, some information could be presented as both qualitative and quantitative without improving its quality, such as the presentation of the number of employees. For instance, a company may say ‘We have employed 100 employees’, while another company can say ‘We have employed one hundred employees’. Both statements have the same level of information, although the former presents the number of employees in a quantitative way. Thus, there might be a clear separation line between qualitative and quantitative information in some items. Therefore, these two ways of presentation can be grouped together, and being informative or non-informative can be separated by whether a description has been provided in a paragraph.

Also, Hail (2002) found that the quality of voluntary disclosure in 111 Swiss companies was negatively related to the cost of capital. In his study, the quality of voluntary disclosure was indicated by the disclosure index when an item was given score 2 when it had extensive description, either qualitatively or quantitatively, score 1 when an item is not extensively described but simply disclosed in annual reports, and score 0 if an item was not disclosed at all (Hail, 2002). Likewise, Botosan (1997) discovered how the quality of voluntary disclosure related to the costs of equity. Additionally, the quality of disclosure was measured in similar ways as Hail (2002) did.

Boesso and Kumar (2007) investigated the association between the quality and quantity of corporate voluntary disclosure with corporate size, using data from the US and Italy. In this study, the quality of disclosure was measured using the disclosure index, whereby a sentence was given score 0 for not addressing an item shown on the index, score 1 if the item was provided in a qualitative manner, and score 2 if the item was given quantitatively (Boesso and Kumar, 2007). It was proposed that quantitative information was clearer than qualitative. Hence, disclosure in a quantitative form was given more weight (Boesso and Kumar, 2007). Similarly, Brammer and Pavelin (2008) measured the quality of environmental disclosure by indicating 1 if the disclosure index item was reported, and 0 if not.

Consequently, this study used the disclosure index provided previously to measure the quality of disclosure, in conformity with a previous study (Hail, 2002). This was because the method is simple, but it gathers the quantity (proxy of quality) of the corporate voluntary disclosure more efficiently than using content analysis. Also, the study used secondary data, as use of financial analysts’ or other users’ rating method was impossible. Specifically, items in the index were coded: score 3 when the disclosure was detailed by provision of quantitative comparison, charts, qualitative or graphs and other informative details, score 2 for qualitative or qualitative information with more detail, score 1 when there was a disclosure of the item, but it was without detail in the description, either quantitative or qualitative, but mentioned briefly, and score 0 when there was no disclosure of the item. Also, this voluntary disclosure was un-weighted to avoid bias, because the goal of the scoring was to measure the disclosure extent, not the importance of the disclosure information. Consequently, the maximum score for the quality of corporate voluntary disclosure was 183 (i.e. 61 items 3 the maximum scoring).

* + 1. Extraction of Data for Quality and Quantity of Corporate Voluntary Disclosure from Annual Reports

As discussed previously, data measuring the quality and quantity of corporate voluntary disclosure was extracted from annual reports of the sampled companies. This extraction involved five steps:

1. The annual reports were downloaded from the websites of the companies for the years 2011 and 2012.
2. All items on the voluntary disclosure index checklist were looked for by the CTRL Find function in the pdf files. The researcher then checked the files manually to ensure whether any items not found by the CTRL Find function had been included.
3. If the items had not been presented, the items scored 0 for both the quality and quantity of corporate voluntary disclosures.
4. If the items had been presented, they were given a score of 1 when measuring the quantity of corporate voluntary disclosures.
5. Finally, in measuring the quality of corporate voluntary disclosure, the items in the index were coded: 3 when the disclosure was detailed by provision of quantitative comparison, charts, qualitative or graphs and other informative details, 2 for qualitative or qualitative information with more detail, and 1 when there was a disclosure of the item, but without detail in the description, neither quantitative nor qualitative.
   * 1. Operationalisation of Independent Variables

This section operationalises the firm level (see Table 3) and country level independent variables used in this thesis. Specifically, it explains how they were measured, why they were mentioned in those ways, the sources of the variables, and how they relate to prior studies.

#### Percentage of Independent Members of Board of Directors

Being an independent member implies that the member does not have any financial involvement, as a consultant, or employment with a corporation or affiliates of the corporation, other than the involvement resulting from being a member of the directors, or / and the audit committee. In line with previous studies, the independence of the board of directors was measured as the percentage of independent directors over total number of directors (Dey, 2008; Clemente and Labat, 2009; Abidin *et al.,* 2014). Mathematically, the percentage of independent members of boards of directors was given by the total number of independent board members over the total number of directors on the board 100. Also, only those board members identified in annual reports as independent members were included in the number of independent board members. In practice, most of firms’ annual reports had a separate section called ‘Board of Directors’, that provided any information related to the directors, such as age, educational background, work expertise background, financial expertise background, director position on the board (i.e. independent, CEO or chairperson).

#### Corporate Size

Likewise, the natural logarithm of sales was used to measure the size of corporations because of the nonlinearity impact of size on corporate voluntary disclosure (Huang and Song, 2006) and to normalise them (Dong and Stettler, 2011). Moreover, many previous studies had used this approach (Dey, 2008; Dong and Stettler, 2011; Ernstberger and Grüning, 2013). However, for the purpose of comparison and analysis, all sales figures were converted into US $, using historical average exchange rates at the end and beginning of accounting periods, before application of the natural logarithm. Lastly, according to IFRS 18, revenue or sales is defined as “the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants” (ISA 18, an issue at 1 January 2012, p.2)

In particular, sales include: “the sale of goods, the rendering of services, and the use by others of entity assets yielding interest, royalties and dividends” (ISA 18, an issue at 1 January 2012, p.2). In annual reports, commonly revenues are provided at the beginning of the annual report in the sections variously called ‘financial highlight’, ‘firm performance highlight’ or ‘statement of financial performance’. In addition, sales could be called sales, turnover, or revenue.

#### Corporate Share Diffusion

Share diffusion is the reverse of the share concentration. Specifically, share diffusion was suggested to indicate by finding the sum of %100 - the percentage value of shares held by executives , directors, and institutional investors (Dey, 2008). Accordingly, share diffusion measures the extent (%) that shares of a corporation are controlled by external individual investors (Dey, 2008; Dong and Stettler, 2011; Ernstberger and Grüning, 2013). However, in this thesis share diffusion was calculated by the total percentage of any shareholders who owned 3% or above - 100%. This information was usually found in the shareholders’ structure section in the annual reports.

#### Corporate Growth Level

The growth of a company was measured by the percentage change in sales over the investigated period, in agreement with previous studies (Aboody and Kasznik, 2000; Khurana *et al.,* 2006; Naser *et al.,* 2006). This measure was the most preferred, because it includes the entire growth of a company, either from equity or debt. Thus, firm growth level was measured by finding the differences between this year total sales and last year total sales over the last year total sales. All these figures are provided, as mentioned, in the corporate size variable discussion.

#### Institutional Shareholdings

Shares owned by any company, including holding companies, governments, and corporates were classified as institutional shareholdings (Jiang *et al.,* 2011; Tinaikar, 2014). Consistent with previous studies, the ownership of institutional shareholders was indicated by their holdings divided by the total of ordinary shares issued (Asquith *et al.,* 2005; Barako *et al.,* 2006; Naser *et al.,* 2006; Liang *et al.,* 2012). Essentially, information about institutional shareholdings was taken from shareholding structures.

#### Corporate Liquidity

As stated previously, liquidity levels indicate how corporate current liabilities can be paid from the realization of current assets. Therefore, liquidity was measured by the current ratio given by the total current assets divided by the total current liabilities, which was consistent with Gul and Leung (2004), Leventis and Weetman (2004), and Barako *et al.* (2006). This data was clearly available in the balance sheet section of the annual reports.

#### Classification of Industries

Industry diversity was measured by the number of industry markets in which corporations operated, in line with the SIC classifications. Nevertheless, according to the tested hypothesis, dealings in metals, building materials, and construction, engineering, mineral extractions, agricultural, and chemicals were classified as sensitive industries, and they were scored 1. In other words, firms were in sensitive operational activities if their activities were mostly likely to cause negative effects on the environment (Dhaliwal *et al.,* 2011; Cho *et al.,* 2012). Dealings in an industry not mentioned above, would be classified as non-sensitive industries, such as services, consumer goods, hotels, finance and others, which were scored 0.

#### Multiple Listings

Multiple listing items were measured by the number of stock exchanges in which a corporation was listed. These numbers were extracted from the annual reports when provided, and, if they were not listed there, the researcher referred to the websites of the selected corporations to determine the number of stock markets in which they were listed. The multiple listings variable was scored according to the number of stock markets in which the firm operated, and if the firm operated in only one stock market it would be scored 0, if more than one, it would be scored 1.

#### Corporate Leverage Level

The corporate leverage level indicates how much corporations’ assets are financed by debts (Rauh and Sufi, 2012). The total gearing ratio has been mainly used to measure how corporate voluntary disclosure related to the corporate leverage level (Hossain *et al.,* 1995; Eng and Mak, 2003; Leventis and Weetman, 2004; Barako *et al.,* 2006). Consequently, this study used the total gearing ratio as a measure of corporate leverage levels; this ratio was given by the total book value of debts to the book value of total assets. These figures were clearly available in the firms’ balance sheets.

#### Corporate Profitability

Return on assets, which provides information about the return from the total investment of a corporation, and the return of equity, which considers the return from equity investment by excluding investment from total investment, can measure corporate Profitability (Kristandl and Bontis, 2007; Souissi and Khlif, 2012; Bischof and Daske, 2013). Therefore, when determining the Profitability of corporations for not only equity holders, return on assets is a preferable indictor of Profitability (Allegrini and Greco, 2013; Eleftheriadis and Anagnostopoulou, 2014). Thus, in accordance with Saxton *et al.,* (2011), Allegrini and Greco (2013), and Eleftheriadis and Anagnostopoulou (2014), corporate Profitability is presented by the return of assets, which is given by the net income before tax over the total assets. This data was available in the income statements and balance sheets, respectively.

#### Types of Audit Firms

The large external audit firms, which are normally called the Big-4 audit firms, are: Ernst and Young, Deloitte, KPMG, and PricewaterhouseCoopers (Chau and Gray, 2010; Dhaliwal *et al.,* 2014; Ferguson and Scott, 2014). Therefore, if these big-4 audit firms audited a corporation, the corporate annual report got a score of 1. On the other hand, when non- big-4 audit firms audited a corporation, the corporate annual report was coded 0. This coding had previously been adopted by Barako *et al.* (2006), Chau and Gray (2010) Huang and Kung (2010), and Huafang and Jianguo (2007).

#### Percentage Expertise of Members of Audit Committee

According to Anderson *et al.* (2004, p325) an audit committee member is regarded as a financial expert when the member has:

“an understanding of generally accepted accounting principles and financial statements; experience in: the preparation or auditing of financial statements of generally comparable issuers; and the application of such principles in connection with the accounting for estimates, accruals, and reserves; experience with internal accounting controls; and an understanding of audit committee functions.”

This definition of a financial expert was adopted, as it has been found to be useful in the classification of members of audit committees (Krishnan and Visvanathan, 2008). In fact, corporations with large numbers of financial experts were found to have better corporate governance than those with fewer financial experts (Zhang *et al.,* 2007; Krishnan and Visvanathan, 2008). Therefore, this variable was indicated as the number of independent members of the audit committee divided by the number of total number of audit committee members 100. This data was extracted from the annual reports of the selected companies; commonly, this could be found in the section for board directors’ details in the annual reports.

#### Duality of the Chairperson of Board of Directors and the Chief Executive Officer

The duality of the chairperson of the board of directors and the CEO happens when one person rules a corporation and its board of directors (Cheng and Courtenay, 2006; Allegrini and Greco, 2013). Therefore, non-dual board of director leadership happens when a chairperson is not the CEO, and this condition was scored 0, whereas the presence of duality of leadership of the board of directors was scored 1. Moreover, some corporations showed explicitly the presence or non-presence of duality of board of director leadership, while others did not. Therefore, it was assumed that if the name of CEO was the same as the name of the chairperson of a board of directors, duality of board of director leadership existed, otherwise not. Usually, this part could be found in the board of director’s section in the annual reports or on the firms’ websites.

#### Number of Independent Members of the Audit Committee

The number of independent members of audit committees has been measured as the percentage of the independent members of an audit committee over the total number of members of the audit committee (Engel *et al.,* 2010). Also, in this study, the same measure was adopted, and only those members identified as independent were included in the number of independent members of the audit committee. Regularly, this data could be found in the board of director’s section in the annual reports.

#### The percentage of Members of the Board of Directors with Financial Expertise

The definition of a financial expert provided earlier was adopted. Therefore, the number of members of the board of directors with financial expertise was measured as their percentage relative to the total number of members of the board of directors. This data was taken from the annual reports as well as the websites of the selected corporations. Mostly, this data was found in the board of director’s section, which detailed the directors’ careers underneath their names in the annual reports.

#### Types of Country Legal Systems

As discussed previously, the legal system measures the level of flexibility of laws, and regulations of a particular country. In addition, this study classified the national legal systems into Common laws and Code laws, as used by Archambault and Archambault (2003) Jaggi and Low (2000) Hopp and Dreher (2013) and Williams (1999), who measured national legal systems in the same way.

#### Country Level of Adoption of IFRS

IFRS adoption level can affect the levels of the quantity and quality of corporate voluntary disclosure. Several prior studies measured the IFRS adoption level by 1 if a country adopted completely, or even partly, IFRS, otherwise 0 (Judge *et al.,* 2010; Houqe *et al.,* 2012; Cang *et al.,* 2014). However, this measurement does not show the details and trends of IFRS adoption and the level of accounting professionalism in a country. Therefore, this variable was given 2 if a country adopted IFRS for all its listed companies, 1 if a country adopted IFRS in some industries or institutions, such as public or private sectors, and 0 if a country did not use IFRS, or was merely converging with IFRS.

#### Importance of Religion

The importance of religion was measured according to Gallup’s website, which surveys the importance of religion by asking questions such as: “Is religion an important part of your daily life?’’ The perceptions of respondents are summarised from 0% to 100%, where 0% was a non-believer and 100% was a strong believer, and the results from this survey were used in this study. Essentially, most of prior studies examined religion as the number of believers in the selected country. However, this approach is not effective in examining the extent of religious impact on voluntary disclosure, because followers may not be practicing their religions. Therefore, the importance of religion used in this study measured the number of people devoted to their beliefs.

#### Country Economic Development Level

Country economic development level was measured according to the World Bank’s classification of economies: 3: high income, 2: upper middle income, and 1: lower middle income. In July every year, the World Bank revises the world economies’ classification, basing this on gross national income (GNI) per capita. However, on 1 July 2013, the World Bank provided countries’ economic classifications using GNI per capita which were: low income countries: $1,035 or less, lower middle income countries: $1,036 to $4,085, upper middle income countries: $4,086 to $12,615, high income countries: $12,616 or more. All of the selected countries were either low or middle-income economies. For the objectives of this study, the same classification listed above for the scoring of country economic development was used.

#### Press Freedom Level

As explained previously, press freedom level was indicated by the index of the level of freedom in each selected country provided by the Reporters Without Boarders organisation. The organisation measures countries’ press freedom through surveys that measure violence against, and other abusive treatment of journalists. However, the press freedom level was scored according to this index for 2012, as it was the most recent data.

#### Country Corruption Levels

According to Transparency Organisation’s database, a country’s corruption level shows how the public sees the level of corruption on a scale of 0 – 100, where 0 means that a country is perceived as being highly corrupt and 100 means it is recognised as being very clean. In 2012 and 2011, there were 176 countries involved in this index, and this study used the scores of the selected countries to indicate the country corruption level. However, to aid the interpretation of the results, the scores were reversed to make sure that the higher the score, the greater the level of corruption in a country.

#### Country Political Freedom

Country political freedom was measured in terms of the level of political status given by Freedom House, which scores levels of political rights in each country from 0, which means best, to 7, which mean the worst, and this score was used in this study as well. However, to aid result interpretation, the scores were reversed to make sure that the higher the score, the higher the political freedom.

#### Country Tertiary Education Level

Tertiary education commonly indicates the number of students who have graduated from secondary education and enrolled in higher education (http://www.unesco.org/new/en, 2013). Tertiary institutions include universities, colleges, training institutes, nursing institutes, laboratories, distance learning and any other educational or training institutes that are formally accredited in a country as post-secondary educational institutes. In this study, the level of tertiary education was used, because literacy levels are likely to be higher for people graduating from tertiary education. Moreover, factors affecting corporate voluntary disclosure may be related to the professional, and knowledge, levels of users, which are above the literacy level of the general public.

Therefore, tertiary education was considered as a sign of the amount of post-secondary education in the selected countries. However, data about the tertiary educational levels of individual countries was not available either on the UNESCO database or on the individual countries’ education websites. However, the data was available at continental level on the UNESCO website, which was claimed to have been calculated by the percentage of students graduating from tertiary education in each country, according to the UNESCO database. The UNESCO database measures levels of tertiary education and the enrolment rates in terms of a gross enrolment ratio, and asserts that the tertiary level is the sum of all tertiary level student graduates from tertiary educational. Consequently, the tertiary education level was measured by extracting the percentages of tertiary education from each continent on the UNESCO website, because the data at national level was lacking.

#### Country National Culture Dimensions

As aforementioned in Chapter two, uncertainty avoidance, and individualism, were used to classify the national cultures of the surveyed countries. National culture was classified according to the Geert-Hofstede index produced in 2012, which indicates national culture dimensions from 0-100%. A score of ‘1’ is given when a nation has a rating of 100-50% in terms of uncertainty avoidance, individualism, masculinity, and power distance, otherwise ‘0’.

Table 3 Operationalization of Independent Variables at Corporate Level

|  |  |
| --- | --- |
| Independent variables | Measurements |
| Firm growth | Level of sales growth (Current sales-previous sales)/previous sales |
| Firm size | The firm size will be measure by natural log of sales |
| Multiple listings | 1 multiple listing- 0 otherwise |
| Leverage level | Total book value debt to book value of total assets |
| Firm Profitability | Profit before interest and tax over total assets |
| Liquidity level | Current assets / current liabilities |
| Industry diversity | Number of industries |
| Industry sensitivity | If operate in metals, building materials, and construction; engineering; consumer goods and services; and oil, chemicals, and mining score 1 otherwise 0 |
| Big 4 audit firm | If auditing done by big 4 1, otherwise 0 |
| Shares diffusion | The total percentage of any shareholders own 3% or above (shares concentration) - 100%. |
| Institutions | Percentage of shares owned by institutions to total number of shares issued |
| Audit committee has financial expertise | Percentage of audit committee members with financial expertise over total members. |
| Number of independent board directors | Percentage of independent board directors / total directors on the board. |
| Non-dual board of directors leadership | “1” indicates boards where the role of chairman and CEO is held by the same person, “0” otherwise) |
| Independent members in audit committee | Percentage of independent members / number of total audit committee members. |
| Board of directors with financial expertise | Percentage of directors with financial expertise on the boards / total directors on the board. |

* 1. Reliability and validity

According to Alrrusi et al., (2009), Saunders et al. (2007), Omar and Simon (2011), and Allegrini and Greco (2013), reliability and validity are very important in measuring the quality of instruments.

#### Reliability

For reliability to be accepted there must be stability and consistency, therefore, reliability can be defined as the ability of a given measurement instrument to produce consistent results after repeated measurements (Hassan and Marston, 2010). For this study, internal consistency was measured using Cronbach’s alpha, which is a common statistical internal consistency measure. Cronbach’s alpha value falls between 0 and 1: the higher the coefficient value of alpha obtained, the higher the reliability (Lapointe-Antunes et al. 2006, Hassan et al. 2009, and Allegrini and Greco 2013). An alpha value over 0.80 suggests that the entire test is internally consistent (Allegrini and Greco, 2013). The findings of the study had an alpha of 0.8997, which indicates satisfactory internal reliability for the items relating to the quality of voluntary disclosure. As for the quantity of voluntary disclosure, the findings are revealed in Table 4, below, as extracted from SPSS.

Table 4 Reliability statistics

|  |  |
| --- | --- |
| Cronbach’s Alpha | No. of items |
| .838 | 29 |

The alpha coefficient for quantity was 0.838 for 29 items signifying that there was high internal consistency. As reflected in the 0.899 alpha for quality and 0.838 alpha for quantity, it was thus interpreted that the study variables did have a relatively high internal consistency. Further analysis was undertaken to check the reliability if items were deleted and the findings revealed that reliability was still present, as reflected in Table 5, below, and it should be noted that a reliability coefficient of .70 or higher is considered “acceptable” in most social science research situations.

Table 5: comparative Reliability Test

|  |  |  |
| --- | --- | --- |
| Item | Cronbach’s alpha | Cronbach’s alpha if item deleted |
| Quality | .899 | .744 |
| Quantity | .838 | .703 |

#### Validity

Validity is defined as the extent to which differences in scores on a measuring instrument reflect true differences between individuals, groups or situations in the characteristic that it seeks to measure (Saunders et al., 2007, p.614). Validity can be classified into three types, namely, criterion validity, construct validity and content validity (Saunders et al., 2007; Hassan and Marston, 2010).

For this study validity was ensured through developing the disclosure index aimed at enhancing construct validity, which was consistent with other studies (e.g., Barako et al., 2006; Tsamenyi et al., 2007; Ntim et al., 2012). Construct validity refers to the extent to which an instrument captures the variables it intends to measure (Hair et al., 2010). Furthermore, the adoption of the corporate voluntary disclosure checklists facilitated comparisons of research findings (Chau and Gray, 2002). The adoption of an existing corporate voluntary disclosure index increased construct validity, as it had already been tested and was likely to measure what it was intended to measure (corporate voluntary disclosure). Moreover, construct validity was improved by eliminating items which are mandatory in Turkey, Singapore, Malaysia, India, Ghana, Nigeria, South Africa, Brazil, Mexico and Chile. The elimination was done by comparing the mandatory disclosure enshrined in the countries’ accounting and reporting standards and reported to the countries’ national Board of Accountants and Auditors (http://www.ifrs.org/Pages/default.aspx, 2013).

* 1. Statistical Data Analysis

Statistical data analysis can involve univariate, bivariate or multivariate data analysis. Univariate analysis involves analysing variables singly, as in percentages, and other descriptive statistics (Hair *et al.,* 2010; Cleff, 2014). According to Hair *et al.* (2010), bivariate data analysis refers to analysing how a dependent variable relates to an independent variable. For instance, one may be interested to know how the quality of corporate voluntary disclosure and firm size are related. On the other hand, multivariate data analysis takes into the account how several independents variables are related to a single dependent variable (Skinner, 1994). For example, one may need to examine how the age of the corporation, the educational level of accountants, and a country factor relate to corporate disclosure; in this case, multiple regression analysis may be selected. This research used univariate, bivariate and multivariate data analysis techniques to answer the research questions introduced earlier.

* + 1. Univariate and Bivariate Data Analysis

As can be seen in the next chapter, univariate data analysis was used for the descriptive statistics of the research data. In particular, mean, median, standard deviation, minimum, maximum, skewness and kurtosis of continuous dependent are presented in the next chapter. Additionally, the frequency distributions of all dependent and independent variables are discussed in the next chapter.

On the other hand, the results from bivariate data analysis are presented both in Chapter 5 and Chapter 6. In the next chapter, the correlation matrix between the quantity of corporate voluntary disclosures and the independent variables is presented.

* + 1. Multivariate Analysis and Regression Model

In this study, hypotheses were tested using a multiple regression model, as it capable of establishing whether an independent variable is related to a number of independent variables (Hair *et al.,* 2010). To date, cross-country research on corporate voluntary disclosure has mainly employed three multiple regression analysis methods: firstly, a disaggregation model based on pooled data (Archambault and Archambault, 2003; Hope, 2003; Jaggi and Low 2000), secondly, a disaggregation model with a country fixed effect based on pooled data (Khanna et al,. 2004; Hermann and Thomas, 1996) and, finally, an aggregation model based on pooled data (Adhikari and Tondkar, 1992; Bushman et al., 2004).

According to Dong and Stettler (2011), the disaggregation model based on pooled data is presented as follows: VD = α + fe (firm specifics) + fk (country specifics) + ε, where VD represents the corporate voluntary disclosure scores of the sole corporates, α is a constant value, fe is the corporate individual factors and fk is the country factors and, ε is residual error.

The disaggregation model with a country fixed effect based on pooled data is presented as: VD = α + fe (firm specifics) + fkd (country specifics) + ε, where VD represents the corporate voluntary disclosure scores of the sole corporates, α is a constant value, fe is the corporate individual factors and fkd is the combined country factors and, ε is residual error.

Finally, the aggregation model is presented as:

VDm = α + fem (firm specifics) + fkm (country specifics) + εm

where VD represents the mean of the corporate voluntary disclosure scores of an individual country, while, αm is the country level constant value, fem is the mean of a firm individual factor, fkm is the mean of a country factor and εm is country level residual error.

The disaggregation models treat companies as units of analysis after pooling data, whereas, the aggregation method treats countries as units of analysis (Dong and Stettler, 2011). Consequently, the aggregation model is preferable when researchers are interested in comparing countries’ disclosure patterns (Riahi-Belkaoui, 2001), or when corporations in a country respond to similar factors (Garrett, 2003). The disaggregation model is appropriate when researchers examine how corporate and country level factors are associated with corporate voluntary disclosure (Garrett, 2003; Dong and Stettler, 2011). However, the disaggregation model with the country fixed effect based on pooled data prevents researchers from investigating how specific country factors are related to corporate voluntary disclosure, as it presents an overall country effect by a country dummy variable (Dong and Stettler, 2011).

However, as the objectives of the thesis involved finding out how corporate and country level factors are related to corporate voluntary disclosure, the disaggregation model based on pooled data was suitable for this research. Additionally, application of the aggregation model is appropriate only with a large number of countries, as the countries are the units of analysis (Dong and Stettler, 2011). Pooling data from different times and countries increases sample size and enables studying the relationships amongst variables across time and space. However, pooling data may cause a heteroscedasticity problem (see Chapters 5 and 6) and time (when the time span is more than two years) and the cross-country effect may affect the results (Podestà, 2002). Similarly, many researchers have used the disaggregation model based on pooled data in cross-country studies (Jaggi and Low, 2000; Archambault and Archambault, 2003; Dong and Stettler, 2011), so adopting this approach increased the comparability of the results.

Specifically, the following regression was used in the testing of the hypotheses, which means that, as the number of countries exceeds the number of years, this pooling analysis is cross-sectional dominated pooling (Stimson, 1985).

Where:

Multiple Listing *(*MUL)*,* Corporate Size *(*CS)*,* Corporate Growth Rate *(*CGR)*,* Liquidity Level *(*LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL) and Audited By Big 4 (4F), Diffused Shares Ownership (SD), Institution Shares (SI), The Proportion of Audit Committee Members With Financial Experts (PACF), The Proportion Of Board Of Directors With Financial Expertise (PBDF), The Proportion of Independent Board Members (PIBD), Duality in The Board Director (DUL), Legal system (LEGSYS), Individualism (INDIVIDUAL), Uncertainty Avoidance (UNAVOID), Economy development (Eco), Press freedom (PRESSFREE),Corruption (Corruption), Political freedom (POLIFREE), Tertiary Education (TEREDU), Professionalism (PROF ESS) and importance of religion (RELIGION).

* 1. Summary

In summary, this chapter has discussed the research approach, data collection method and sources, sample selection procedures, and the research instrument for measuring the quality and quantity of corporate voluntary disclosure. Furthermore, it operationalised independent variables at corporations and country levels, and it has presented a multiple regression model used in testing hypotheses.

# Determinants of the Quantity of Corporate Voluntary Disclosure in Annual Reports

* 1. Introduction

Chapter four presented the research design employed in this study, and the statistical data analysis approach. This chapter presents the descriptive statistics and the multivariate regression results of the quantity of corporate voluntary disclosure and its related determinants. Specifically, this chapter accomplishes five goals. Firstly, it presents the descriptive statistics of both the corporate voluntary disclosure and the independent variables. Secondly, it presents the correlation matrix to determine how the variables correlate to each other. Thirdly, it conducts a diagnosis of the multiple linear regression assumptions, if they are met. Fourthly, it presents and discusses the results from the multiple linear regression equation examining the determinants of the quantity of corporate voluntary corporate disclosure. Finally, it examines the robustness of the results and tests for the existence of potential endogeneity problems.

This chapter is organised as follows. Section 5.2 presents the descriptive statistics and section 5.3 presents the findings of the bivariate correlation and testing assumption of the multiple linear regression analysis. Results from the regression are presented in Section 5.4 and, lastly, discussion of the robustness of the models is presented in Section 5.5.

* 1. Descriptive Statistics of the dependent variables in the Quantity of Corporate Voluntary disclosure by the sampled firms

In this study, corporate voluntary disclosure indexes were developed to examine the quality and quantity of compliance, based on 596 sampled firms in 2011 and 2012. The corporate voluntary disclosure index contained 61 corporate disclosure provisions from checklists used by many previous studies (Meek *et al.,* 1995; Chau and Gray, 2002; Wang *et al.,* 2008; Akhtaruddin *et al.,* 2009; Murcia and Santos, 2010; Lan *et al.,* 2013). As shown in Table 6 the provisions that constitute corporate voluntary disclosure are: general corporate information, corporate strategy, future prospects, information about directors, employees’ information, financial review, stock price information, customer and supplier disclosure, social policy and value added information.

By observing the results in Table 6 below, 84% of the sampled firms disclosed stock price information, whilst less attention was given to information relating to social policy and value added information, as only 56% of the sampled firms disclosed it. The reason for stock price information being the most highly disclosed was because of the nature of the disclosure, which is imposed by governing bodies and regulatory authorities to protect the interests of shareholders (Al-Twaijry *et al.,* 2002). Comparing this with the low level of disclosure in social policy and value added information, the lower level is due to the absence of a regulator or authority to govern it.

Secondly, apart from other provisions, where the percentage of disclosure did not change between 2011 and 2012, future prospect information, employees’ information and financial review information had only increased a little, by 1%. Regardless of already having a low percentage of disclosure compared to other areas, social policy and value added information had declined, specifically by a 1% decrease from 57% to 56%. Overall, corporate voluntary disclosure remained consistent in both 2011 and 2012, at 70%.

Table 6 Descriptive Statistics of the dependent variables in the Quantity of Corporate Voluntary disclosure

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | |
| General corporate information | | | |  | Corporate strategy | | |  | Future prospects | | |  | Information about directors | | |  | Employee information | | |
|  | All | 2011 | 2012 | All | 2011 | 2012 | All | 2011 | 2012 | All | 2011 | 2012 | All | 2011 | 2012 |
| Mean | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.81 | 0.8 | 0.81 | 0.73 | 0.73 | 0.73 | 0.59 | 0.59 | 0.6 |
| Median | 0.8 | 0.8 | 0.8 | 0.86 | 0.86 | 0.86 | 1 | 1 | 1 | 0.75 | 0.75 | 0.75 | 0.71 | 0.71 | 0.71 |
| SD | 0.262 | 0.268 | 0.266 | 0.275 | 0.278 | 0.275 | 0.293 | 0.301 | 0.3 | 0.214 | 0.216 | 0.216 | 0.259 | 0.261 | 0.26 |
| Min | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Max | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
|  | | | |  | | |  | | |  | | |  | | |
| Financial review | | | | Stock price information | | | Customer and supplier disclosure | | | Overall Corporate Voluntary | | | Social policy and value-added information | | |
| Mean | 0.61 | 0.6 | 0.61 | 0.84 | 0.84 | 0.84 | 0.67 | 0.67 | 0.67 | 0.7 | 0.7 | 0.7 | 0.56 | 0.57 | 0.56 |
| Median | 0.67 | 0.67 | 0.67 | 1 | 1 | 1 | 0.83 | 0.83 | 0.83 | 0.75 | 0.75 | 0.75 | 0.62 | 0.62 | 0.62 |
| SD | 0.3 | 0.302 | 0.304 | 0.29 | 0.305 | 0.309 | 0.341 | 0.341 | 0.339 | 0.214 | 0.218 | 0.217 | 0.28 | 0.282 | 0.283 |
| Min | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Max | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source: Field Data

* 1. Descriptive Statistics of the independent variables of corporate voluntary disclosures by the sampled firms

Table 7 below, contains the scoring of the descriptive analysis of both the explanatory variables and the control variables. The table reveals that institutions’ percentage ranged from 100% to 0%, with a mean of 68%, which was measured by the shares held by institutional shareholders. The mean between the sampled period changed a little, from 68% in 2011 to 69% in 2012, which may be attributed to the sampled period being too short. Concerning the percentage of the audit committee on the board of directors, it was found that the minimum was 0% and maximum was 100%, with an average mean of 64% between 2011 and 2012. The percentage of the audit committee on the board of directors changed only a little, by a 1% decrease from 65% in 2011.

Secondly, the percentage of the board of directors with financial expertise had an average of 50%, while the maximum percentage was 100% and the minimum percentage was zero. Between the sample periods the percentage of the board of directors with financial expertise remained constant at the level of 50% in both 2011 and 2012. The percentage of independent board members ranged from 100% to 0%, with an average of 38% being independent members, although it had decreased from 2011 to 2012 from being 39% to 38%. The percentage of share diffusion among the sampled firms appeared to have remained consistent at 45%, with an average of 45% of the sampled firms having diffused their shares.

Moreover, because of the nonlinear impact of size on corporate voluntary disclosure, a logarithm base 10 of total sales was used to measure the size of corporations. The sampled firm size ranged from USD 6 billion to USD 24 billion, with an average of 17.53 billion. The average firm size had decreased from USD17.57 billion to USD 17.49 billion in 2011 and 2012, respectively. Corporate growth was measured by corporate sales growth. The table reveals a maximum growth of 100% and a minimum growth -100%, with an average growth rate of 13%. The growth rate for the sampled period decreased from 2% in 2011 to 6% in 2012. On the side of the multiple listing, the maximum number of stock exchanges where the firms had registered was six and the minimum was zero listings, giving an average of 1.11 listings. Table 7 also reveals that the highest institution ownership in a corporation was 100%, with a minimum of zero percent, giving an average of 47%, accompanied by the consistent percentage of institution ownership in 2011 to 2012 at the level of 47%. Regarding firms audited by the big 4 audit firms, overall 63% of corporations were audited by the big4 audit firms, to a maximum of 100% and a minimum of 0%. Also, the results found that there was a decrease in the percentage of corporations audited by the big 4 firms, from 64% in 2011 to 61% in 2012.

Table 7: Descriptive statistics for the explanatory and control variables of corporate voluntary disclosures 2011/2012 and overall

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | |
| Quantity | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | OVERALL | | | | | |
| Independent Vs | Mean | Mean | Std. Dev. | Std. Dev. | Min | Min | Max | Max | Skewness | Skewness | Kurtosis | Kurtosis | Mean | Std. Dev. | Min | Max | Skewness | Kurtosis |
| CS | 17.57 | 17.49 | 2.97 | 3.009 | 9 | 6 | 24 | 24 | -0.06 | -0.428 | 0.605 | 1.666 | 17.53 | 2.981 | 6 | 24 | -0.245 | 1.085 |
| CGR | 0.2 | 0.06 | 0.288 | 0.326 | -1 | -1 | 1 | 1 | 0.34 | -0.08 | 1.235 | 2.034 | 0.13 | 0.314 | -1 | 1 | 0.009 | 1.704 |
| MUL | 1.13 | 1.08 | 0.597 | 0.28 | 1 | 1 | 6 | 2 | 6.922 | 3.047 | 54.633 | 7.463 | 1.11 | 0.466 | 1 | 6 | 7.596 | 73.857 |
| LVL | 0.54 | 0.54 | 0.284 | 0.295 | 0 | 0 | 1 | 1 | 0.174 | 0.164 | -0.453 | -0.317 | 0.54 | 0.288 | 0 | 1 | 0.167 | -0.401 |
| LQL | 3.08 | 2.61 | 4.72 | 2.974 | 0 | 0 | 35 | 16 | 4.728 | 2.697 | 27.887 | 8.054 | 2.85 | 3.945 | 0 | 35 | 4.641 | 30.138 |
| PL | 0.07 | 0.06 | 0.093 | 0.092 | 0 | 0 | 0 | 0 | 0.864 | 0.254 | 0.89 | 2.092 | 0.06 | 0.092 | 0 | 0 | 0.561 | 1.438 |
| ID | 1.29 | 1.27 | 0.593 | 0.565 | 1 | 1 | 4 | 4 | 2.317 | 2.471 | 5.768 | 7.035 | 1.28 | 0.577 | 1 | 4 | 2.37 | 6.134 |
| IS | 0.68 | 0.69 | 0.47 | 0.467 | 0 | 0 | 1 | 1 | -0.779 | -0.82 | -1.428 | -1.361 | 0.68 | 0.467 | 0 | 1 | -0.792 | -1.39 |
| 4F | 0.64 | 0.61 | 0.482 | 0.49 | 0 | 0 | 1 | 1 | -0.607 | -0.479 | -1.672 | -1.815 | 0.63 | 0.485 | 0 | 1 | -0.538 | -1.732 |
| SD | 0.45 | 0.44 | 0.26 | 0.266 | 0 | 0 | 1 | 1 | 0.475 | 0.477 | -0.864 | -0.872 | 0.45 | 0.262 | 0 | 1 | 0.471 | -0.878 |
| SI | 0.47 | 0.48 | 0.204 | 0.204 | 0 | 0 | 1 | 1 | -0.174 | -0.063 | -0.455 | -0.659 | 0.47 | 0.203 | 0 | 1 | -0.118 | -0.574 |
| PABD | 0.65 | 0.64 | 0.234 | 0.228 | 0 | 0 | 1 | 1 | 0.157 | 0.232 | -0.905 | -0.784 | 0.64 | 0.231 | 0 | 1 | 0.193 | -0.859 |
| PBDF | 0.5 | 0.51 | 0.166 | 0.17 | 0 | 0 | 1 | 1 | 0.194 | 0.437 | -0.363 | 0.062 | 0.5 | 0.168 | 0 | 1 | 0.317 | -0.168 |
| PIBD | 0.39 | 0.38 | 0.149 | 0.138 | 0 | 0 | 1 | 1 | 1.6 | 1.558 | 4.391 | 5.209 | 0.38 | 0.144 | 0 | 1 | 1.574 | 4.614 |
| DUL | 0.79 | 0.8 | 0.413 | 0.406 | 0 | 0 | 1 | 1 | -1.418 | -1.49 | 0.011 | 0.225 | 0.79 | 0.408 | 0 | 1 | -1.44 | 0.075 |
| QNCVD | 45.6 | 45.99 | 10.203 | 9.18 | 2 | 8 | 60 | 60 | -1.163 | -0.798 | 3.234 | 1.931 | 45.79 | 93.72 | 9.681 | 2 | 60 | -1.011 |
| PQNCVD | 0.75 | 0.75 | 0.167 | 0.15 | 0 | 0 | 1 | 1 | -1.163 | -0.798 | 3.234 | 1.931 | 2.693 | 0.75 | 0.159 | 0 | 1 | -1.011 |

Source: Field Data

Note: Corporate Voluntary Disclosure (CVD) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DUL).

* 1. Bivariate Correlation and OLS Assumptions

Table 8 below, shows the correlation matrix of all the independent, dependent and control variables of the corporate voluntary disclosure. Both parametric (Pearson correlation coefficients) and non-parametric (Spearman correlation coefficients) coefficients were relatively similar. These results signify that, in this study, there was no major problem concerning non-normality with the study variables (Ntim and Soobaroyen, 2013). Also, the results revealed that there was a fairly low correlation between the variables, signifying that there was no major problem with multicollinearity among the study variables (Dam and Scholtens, 2012).

Assumption of normality is achieved when continuous variables are normally distributed. It can be tested using histograms, and skewness and kurtosis tests. Largely, most of these variables were roughly normal. Specifically, observation of the histograms showed that the variables were normally distributed. The skewness and kurtosis tests confirmed that the continuous variables were approximately normally distributed. A perfect symmetrical curve (normal shape) happens when the skewness value is zero. Moreover, the assumption of normality is assumed to be met when sample size is more than 100. Thus, the sample size of this study of 596 reduced any possibility of non-normally of variables.

Table 8: Correlation matrix of the independent, dependent and control variables of the corporate voluntary disclosure

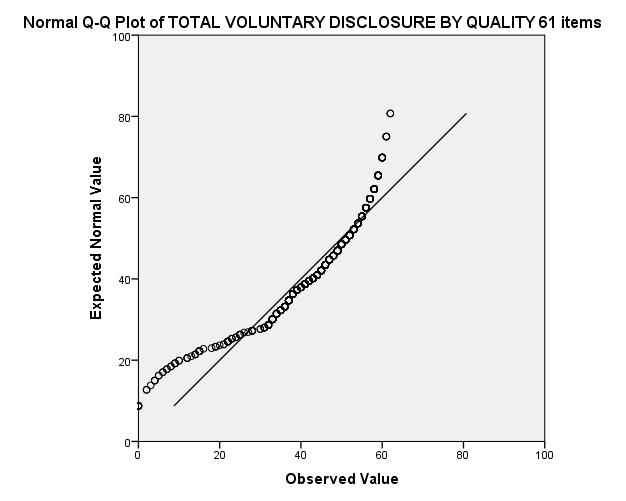
|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | |
| Quantity Correlation | LEGSYS | INDIVIDUAL | UNAVOID | Eco | PRESSFREE | Corruption | POLIFREE | TEREDU | PROFESS | RELIGION |
| LEGSYS | 1.000 | .273\*\* | .669\*\* | -.419\*\* | -.428\*\* | .068 | .258\*\* | -.574\*\* | .161\*\* | .349\*\* |
| INDIVIDUAL | .273\*\* | 1.000 | .407\*\* | .064 | -.293\*\* | .114\*\* | -.186\*\* | -.501\*\* | -.410\*\* | -.059 |
| UNAVOID | .669\*\* | .407\*\* | 1.000 | .117\*\* | .137\*\* | -.220\*\* | .287\*\* | -.004 | -.169\*\* | -.111\*\* |
| Eco | -.460\*\* | .106\*\* | .113\*\* | 1.000 | .388\*\* | -.716\*\* | .088\* | .661\*\* | -.419\*\* | -.629\*\* |
| PRESSFREE | -.431\*\* | -.405\*\* | .198\*\* | .475\*\* | 1.000 | -.197\*\* | .307\*\* | .855\*\* | -.070 | -.415\*\* |
| Corruption | -.055 | .119\*\* | -.294\*\* | -.689\*\* | -.286\*\* | 1.000 | .041 | -.734\*\* | .068 | .298\*\* |
| POLIFREE | .198\*\* | -.105\* | .315\*\* | .096\* | .282\*\* | -.046 | 1.000 | .277\*\* | .072 | .313\*\* |
| TEREDU | -.555\*\* | -.510\*\* | -.003 | .634\*\* | .868\*\* | -.631\*\* | .291\*\* | 1.000 | .321\*\* | -.331\*\* |
| PROFESS | .161\*\* | -.410\*\* | -.169\*\* | -.460\*\* | -.059 | -.055 | .079 | .338\*\* | 1.000 | .243\*\* |
| RELIGION | .388\*\* | -.042 | -.053 | -.596\*\* | -.381\*\* | .549\*\* | .356\*\* | -.405\*\* | .244\*\* | 1.000 |
| CGR | .074 | -.029 | .007 | -.068 | -.040 | -.048 | -.036 | .017 | .120\*\* | .015 |
| LVL | .005 | -.200\*\* | -.079 | -.122\*\* | .003 | .100\* | .004 | -.012 | .027 | .158\*\* |
| PL | -.146\*\* | -.076 | -.121\*\* | .035 | .091\* | .029 | -.090\* | .070 | -.071 | -.072 |
| SD | -.196\*\* | .017 | -.212\*\* | -.155\*\* | .040 | .238\*\* | -.252\*\* | .061 | .013 | .283\*\* |
| SI | -.089 | -.134\* | -.154\*\* | .288\*\* | -.090 | -.219\*\* | .095 | .089 | -.241\*\* | -.025 |
| PACF | -.003 | .143\*\* | .034 | -.025 | -.091 | .097\* | -.202\*\* | -.174\*\* | -.154\*\* | -.063 |
| PBDF | -.120\* | -.017 | -.317\*\* | -.195\*\* | -.201\*\* | .120\* | -.306\*\* | -.085 | .180\*\* | .031 |
| PIBD | .014 | .225\*\* | .000 | -.048 | -.207\*\* | .109\* | -.355\*\* | -.366\*\* | -.251\*\* | -.260\*\* |
| MUL | -.122\*\* | -.121\*\* | -.044 | -.075 | .097\* | .064 | -.263\*\* | -.031 | .015 | -.251\*\* |
| CS | -.421\*\* | -.032 | -.179\*\* | .333\*\* | .262\*\* | -.093\* | -.229\*\* | .243\*\* | -.216\*\* | -.392\*\* |
| LQL | .075 | -.006 | .221\*\* | .068 | .188\*\* | -.067 | .133\*\* | .155\*\* | -.021 | .018 |
| ID | -.029 | -.126\*\* | .094\* | .213\*\* | .181\*\* | -.184\*\* | .060 | .185\*\* | -.174\*\* | -.107\*\* |
| DUL | -.090\* | .003 | -.130\*\* | .067 | -.056 | .029 | .139\*\* | .005 | -.016 | .093\* |
| 4F | -.318\*\* | .030 | -.350\*\* | .282\*\* | -.105\* | -.178\*\* | -.158\*\* | .064 | -.055 | -.247\*\* |
| ID | .073 | -.035 | .251\*\* | .151\*\* | .227\*\* | -.191\*\* | .044 | .203\*\* | -.071 | -.100\* |
| OVERALL | -.489\*\* | -.190\*\* | -.516\*\* | .290\*\* | .094\* | -.092\* | .050 | .326\*\* | -.048 | -.021 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity Correlation | CGR | LVL | PL | SD | SI | PACF | PBDF | PIBD | MUL | CS | LQL | ID | DUL | 4F | ID | OVERALL |
| LEGSYS | .083\* | .009 | -.141\*\* | -.195\*\* | -.050 | -.010 | -.116\* | .020 | -.089\* | -.460\*\* | .061 | .008 | -.090\* | -.318\*\* | .073 | -.516\*\* |
| INDIVIDUAL | -.017 | -.194\*\* | -.072 | -.023 | -.144\* | .143\*\* | .010 | .220\*\* | -.122\*\* | -.040 | .020 | -.134\*\* | .003 | .030 | -.035 | -.210\*\* |
| UNAVOID | .009 | -.086 | -.118\*\* | -.218\*\* | -.129\* | .031 | -.316\*\* | -.012 | -.011 | -.210\*\* | .265\*\* | .148\*\* | -.130\*\* | -.350\*\* | .251\*\* | -.538\*\* |
| Eco | -.081\* | -.134\*\* | .035 | -.216\*\* | .279\*\* | -.042 | -.204\*\* | -.074 | -.095\* | .342\*\* | .103\* | .239\*\* | .047 | .289\*\* | .156\*\* | .268\*\* |
| PRESSFREE | -.030 | -.049 | .100\* | .090 | -.067 | -.124\* | -.164\*\* | -.217\*\* | .043 | .254\*\* | .199\*\* | .150\*\* | -.012 | -.053 | .165\*\* | .201\*\* |
| Corruption | -.019 | .041 | -.035 | .025 | -.251\*\* | .082 | .091 | .251\*\* | .118\*\* | -.088\* | -.133\*\* | -.211\*\* | .054 | -.089\* | -.224\*\* | -.171\*\* |
| POLIFREE | -.035 | .033 | -.093\* | -.333\*\* | .228\*\* | -.239\*\* | -.317\*\* | -.384\*\* | -.285\*\* | -.282\*\* | .119\*\* | .153\*\* | .142\*\* | -.140\*\* | .050 | .055 |
| TEREDU | -.009 | -.027 | .072 | .045 | .105 | -.188\*\* | -.098 | -.399\*\* | -.046 | .285\*\* | .193\*\* | .215\*\* | .019 | .069 | .201\*\* | .295\*\* |
| PROF ESS | .127\*\* | .036 | -.074 | -.001 | -.217\*\* | -.178\*\* | .170\*\* | -.253\*\* | .043 | -.205\*\* | -.048 | -.167\*\* | -.016 | -.055 | -.071 | -.037 |
| RELIGION | .013 | .193\*\* | -.058 | .238\*\* | .015 | -.046 | .057 | -.240\*\* | -.247\*\* | -.423\*\* | -.032 | -.096\* | .091\* | -.226\*\* | -.106\*\* | -.030 |
| CGR | 1.000 | -.025 | .189\*\* | .101 | -.025 | -.045 | -.020 | .022 | -.057 | .002 | .006 | -.058 | -.102\* | .020 | .011 | -.028 |
| LVL | -.022 | 1.000 | -.031 | .099 | .147\* | .032 | .035 | -.190\*\* | -.018 | -.031 | -.298\*\* | -.048 | .007 | -.098\* | -.112\* | .005 |
| PL | .151\*\* | -.011 | 1.000 | .205\*\* | -.098 | .002 | -.048 | .112\* | -.142\*\* | .183\*\* | .239\*\* | -.010 | -.109\* | .199\*\* | .106\* | .128\*\* |
| SD | .104 | .085 | .186\*\* | 1.000 | -.115 | .035 | .274\*\* | .007 | -.287\*\* | -.020 | .088 | -.002 | -.103 | -.022 | -.025 | .134\* |
| SI | -.003 | .133\* | -.059 | -.094 | 1.000 | -.038 | .029 | -.154\* | -.134\* | .035 | -.125\* | .223\*\* | .043 | .151\* | -.018 | .290\*\* |
| PACF | -.050 | .045 | -.001 | .028 | -.062 | 1.000 | .132\*\* | .153\*\* | .155\*\* | .115\* | .066 | .043 | -.061 | -.003 | .084 | -.178\*\* |
| PBDF | -.027 | .028 | -.039 | .250\*\* | .008 | .153\*\* | 1.000 | .083 | -.020 | -.001 | -.098 | -.133\*\* | .063 | .052 | -.254\*\* | .048 |
| PIBD | .014 | -.191\*\* | .086 | .005 | -.185\*\* | .120\* | .093 | 1.000 | .093\* | .146\*\* | .039 | .040 | .071 | .049 | -.001 | -.213\*\* |
| MUL | -.077 | -.019 | -.133\*\* | -.276\*\* | -.128\* | .164\*\* | -.013 | .054 | 1.000 | .138\*\* | -.158\*\* | .103\* | -.101\* | -.035 | .075 | -.053 |
| CS | .024 | -.019 | .176\*\* | -.074 | -.059 | .125\* | -.017 | .151\*\* | .100\* | 1.000 | -.069 | .071 | .001 | .355\*\* | -.035 | .153\*\* |
| LQL | .016 | -.280\*\* | .224\*\* | .068 | -.107 | .096 | -.082 | .012 | -.147\*\* | -.053 | 1.000 | .135\*\* | -.072 | -.085\* | .156\*\* | -.124\*\* |
| ID | -.014 | -.065 | -.004 | .003 | .234\*\* | .037 | -.118\* | .050 | .129\*\* | .080 | .125\*\* | 1.000 | .003 | .024 | .264\*\* | .009 |
| DUL | -.094\* | .012 | -.121\*\* | -.100 | .039 | -.063 | .079 | .087 | -.074 | .002 | -.055 | -.002 | 1.000 | .056 | -.120\*\* | .155\*\* |
| 4F | .016 | -.109\* | .199\*\* | -.022 | .176\*\* | -.003 | .082 | .022 | -.005 | .328\*\* | -.070 | .047 | .056 | 1.000 | -.074 | .336\*\* |
| ID | .005 | -.105\* | .057 | -.060 | -.009 | .068 | -.252\*\* | -.003 | .084\* | -.023 | .137\*\* | .253\*\* | -.120\*\* | -.074 | 1.000 | -.066 |
| OVERALL | -.028 | -.001 | .121\*\* | .162\*\* | .336\*\* | -.176\*\* | .024 | -.206\*\* | -.064 | .123\*\* | -.105\* | .016 | .154\*\* | .335\*\* | -.075 | 1.000 |

Note: Corporate Voluntary Disclosure (CVD) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DUL).

* 1. Test for normality

As recorded in the OLS assumptions, the test for normality graphically using Quintile-quintile Plot (Q-Q plot) had to be carried out in order to ascertain whether residuals were normally distributed, as reflected in Figure X, below.



As reflected in the above, normal visual plot of Q-Q plot of total voluntary disclosure by quality residuals shows that the residuals were normally distributed, as they are all around the diagonal of normal distribution. The results of the Shapiro-Wilk normality test show that the significance of Shapiro-Wilk test is 0.940, which is above a minimum threshold of 0.05 and, hence, numerically this confirms that the residuals were normally distributed.

Thereafter, the heteroscedastic problem was examined using the Breusch-Pagan test, which showed that variance of the error terms was constant, as all values of the test were non significant. The existence of a heteroscedastic problem may provide misleading standard errors.

Finally, consistent with Haniffa and Hudaib (2006), the linearity assumption was tested using Cook’s distance tests; these tests assume that the assumption is met when the values is below 1 (Pryce, 2005; Maddala and Lahiri, 2009), suggesting satisfaction of the of linearity assumption between variables in the regression models.

Test for errors are independent

Another assumption of OLS was the assumption that errors are independent and this was tested by using the Durbin Watson test measuring auto correlation, and the findings are revealed in Table 9, below:

Table 9: Test for errors independence

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | R | r2 | Adjusted r2 | Std. Error of the Estimate | Durbin-Watson |
| 1 | 0.793 | 0.6288 | 0.535 | 0.112 | 1.649 |

a. Predictors: (Constant),

b. Dependent Variable:

The findings from the table above reflect a Durbin-Watson score of 1.649, which falls within the acceptable parameters, thus meeting the set assumption.

* 1. Test of Multicollinearity Problem

Multicollinearity is the situation where independent variables are highly correlated, which is not desirable, as with the anomaly independent variables share predictive power and make it difficult to determine which independent variable has significant impact on predicting the dependent variable (Gujarat, 2003). For this study multicollinearity was checked in two ways: manually, whilst observing correlation co-efficiency of the different independent variables used, and also by testing the direction and magnitude of the linear relationship in a correlation matrix amongst the different variables.

Pryce (2005) argues that multicollinearity may still pose a threat even after running all the tests related to normality and transforming the data. Therefore, in line with Dam and Scholtens (2012) and Kajananthan (2012), two additional methods were used to investigate the presence of multicollinearity among the variables. These were Variance Inflation Factor (VIF) and tolerance statistics tests. Multicollinearity may be a problem when VIF values are over 10 (Gujarati, 2003) and tolerance levels are near 0 (Kajananthan, 2012).

Furthermore, Table 8 above, shows the correlation matrix of all independent, dependent and control variables of the quality of corporate voluntary disclosure. The correlation test is usually used to test the significance and direction of the linear relationship between two variables. As shown in the table 8 above, both parametric (Pearson correlation coefficients) and non-parametric (Spearman correlation coefficients) coefficients did not differ very much, implying absence of a non-normality problem (Ntim and Soobaroyen, 2013). Also, most of the coefficients were low, suggesting that a multicollinearity problem may be absent, as the correlation coefficients were below 0.5 (Dam and Scholtens, 2012).

In conclusion, diagnostic tests were conducted to test the assumption of normality, linearity, multicollinearity, heteroscedasticity and autocorrelation. The results from these tests suggested fulfilment of almost all of these assumptions and then two regression models were used to examine how firm level and country level factors related to both the quantity and quality of corporate voluntary disclosure.

* 1. Empirical Results of the Quantity of Voluntary Corporate Disclosure Model

Multiple regression analysis was used to test whether the firm and country variables significantly predicted the quantity of corporate voluntary disclosure. The results of the regression indicated that, in totality, the independent variables explained 30.2% of the variance in the level of the quantity of corporate voluntary disclosure (R2 =.302, F (17, 217) =8.021, p = 000). Similarly, studies of corporate voluntary disclosure in developing countries have shown similar ‘goodness of fit’ tests, as found in the adjusted R2 of 39.5% of Collins and Soobaroyen (date) from South Africa, the adjusted R2 of 53% of Barako et al. (2006) from Kenya, and the adjusted R2 of 45% from South Africa.

The strongest predictors were the percentages of Sensitivity Industry (β = .308), Diffused Share Ownership (β = .266), and Corporate Growth Rate (β = -.224), followed by Profitability level (β = .172), Audited by Big 4 (β = -.165), liquidity level (β = -.120), and industry diversity (β = -.115) (see Table 11).

As explained previously, the first regression model examined how the quantity of voluntary corporate disclosure relates to both firm and country level factors. Specifically, the second research objective was aimed at examining how the firm and country factors related to the quantity of voluntary corporate disclosure. In this model, there were six corporate governance independent variables, two ownership independent variables and four control variables. The corporate voluntary disclosure index constructed and explained in Chapter three measured the quantity of corporate voluntary disclosure.

The summary of the tested hypotheses, together with findings from the regression analysis, are presented in Table 10 below. The following section discusses these findings in detail and how they relate to prior research.

Table 10: A summary of all of the hypotheses and findings for the quantity of voluntary corporate disclosure as dependent variables

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Explanatory Variable | No.  Hypothesis | Expected sign | Findings sign | Findings significance | Hypothesis status |
| Control Variables | | | | | |
| CS | 1 | + | - | non-significant | Rejected |
| CGR | 2 | + | + | Significant at the 1% level | Accepted |
| MUL | 3 | + | - | non-significant | Rejected |
| LVL | 4 | - | - | non-significant | Rejected |
| LQL | 5 | - | - | Significant at the 5% level | Accepted |
| PL | 6 | + | + | Significant at the 1% level | Accepted |
| ID | 7 | + | - | Significant at the 5% level | Rejected |
| IS | 8 | + | + | Significant at the 1% level | Accepted |
| 4F | 9 | + | - | Significance at the 1% level | Rejected |
| Ownership Variable | | | | | |
| SD | 10 | + | + | Significant at the 1% level | Accepted |
| SI | 11 | + | + | non-significant | Rejected |
| Corporate governance | | | | | |
| PABD | 12 | + | + | non-significant | Rejected |
| PBDF | 13 | + | - | non-significant | Rejected |
| PIBD | 14 | + | - | non-significant | Rejected |
| DUL | 15 | + | + | non-significant | Rejected |

Source: Field data, Corporate Voluntary Disclosure (CVD) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD).

Hypothesis 2 expected that corporate growth rate was positively related to the corporate voluntary disclosure in the annual reports. The coefficient of the corporate growth rate supported the hypothesis (β = .224, p = .001) (see Table 11); hence the hypothesis was accepted. This result is consistent with Resource Dependence Theory, the firms disclose more information to get more sources then can be free from controlled providers (Hyytinen and Pajarinen, 2005; Khurana *et al.,* 2006; Naser *et al.,* 2006; Wang and Claiborne, 2008; Lopes and de Alencar, 2010).

These finding are also consistent with previous studies, which suggested the existence of a positive relationship between corporate growth and corporate voluntary disclosure in the annual reports. As suggested by McGuire et al. (1988), improvements in corporate voluntary disclosure reflects corporate growth rate and, in Singhvi and Desai (1971)s’ study, that managers achieving higher growth rates may decide to disclose more information in organisational annual reports to signal their achievements. Another previous study that showed a positive relationship between corporate growth and corporate voluntary disclosure in annual reports was by Davis and Tama-Sweet (2012), suggesting that firms that do not need more funds will disclose less voluntary information.

The first hypothesis expected that there would be a positive relationship between firm size and corporate voluntary disclosure. However, the results indicated a non-significant and negative relationship between the two variables (β = -.018, p = .770). This study suggests that firm size has nothing to do with corporate voluntary disclosure in the annual reports and the effects of other variables in the model. Therefore, the hypothesis was rejected.

These results are not consistent with the theories and some of the empirical previous studies. According to agency theory, large firms are more likely to have large shareholders, who may demand more information to diffuse conflict of interest (Chow and Wong-Boren, 1987). In previous studies, firms’ size was linked directly to having a positive relationship with corporate voluntary growth (Riahi-Belkaoui, 2001; Watson *et al.,* 2002; Barako *et al.,* 2006; Naser *et al.,* 2006; Wang and Claiborne, 2008). Watson *et al.* (2002) discovered that corporate size was significantly positively related to corporate voluntary disclosure of accounting ratios among UK listed companies and Naser *et al.* (2006) discovered that corporate social disclosure was positively related to corporate size in Qatar.

It was hypothesized in Hypothesis 3 that firms with multiple listings voluntarily disclose more and higher quality information than those with single listings. However, the results showed that there was a negative non-significant relationship between the multiple listings of firms and corporate voluntary disclosure (β = -.06, p= .342), leading to rejection of the hypothesis.

Furthermore, these results are inconsistent with agency theory, which suggests that firms with multiple listings have a large shareholder base in which corporate voluntary disclosure will help them to reduce information asymmetry (Riahi-Belkaoui, 2001).

Empirically, this study finding, that firms with multiple listings do not disclose more and higher quality information, was inconsistent with previous studies. For example, Belkaoui (2001) and Dong and Stettler (2011) found that firms with multiple listings provided more information voluntarily than those without multiple listings. Another study, conducted by Wang and Claiborne (2008), found that foreign ownership increased with extension of corporate voluntary disclosure. Also, Archambault (2003) found that foreign sales increased with the extension of corporate voluntary disclosure, while Archambault and Archambault, (2003) found that firms that needed to increase capital through foreign markets had to disclose more corporate information, leading, hence, to multiple listings.

In addition, Hypothesis 8 expected that firms operating in sensitive industries would voluntarily disclose more information than those operating in non-sensitive industries. In fact, the results showed that corporations operating in sensitive and non-sensitive industries did appear to disclose quite different quantities of information (β = -.0308, p = .000).

Theoretically, the findings of this study were consistent with Resource Dependence Theory, which suggests that firms operating in sensitive industries have to disclose more information to legitimize their activities because of environmental and shareholder concerns (Craswell and Taylor, 1992; Meek *et al.,* 1995; Peters and Romi, 2013). Also empirically, these results are consistent with previous studies, which have shown that firms operating in sensitive industries disclose greater and higher quality corporate voluntary disclosure. For example, Brammer and Pavelin (2008) found that corporations operating in environmental industries, such as the chemical industry, were likely to file higher quality corporate voluntary disclosure than those not operating in environmentally sensitive industries, such as services. As this study involved developing countries, where environmental protection laws are still underdeveloped, the industries in which corporations operate may be non-significant in relation to corporate voluntary disclosure.

The coefficient for the big 4 audit firm was negative and had a significant relationship (β = -.165, p = 0.008) with the quantity of voluntary corporate disclosure. This result led to the rejection of Hypothesis 9, that corporations audited by the big 4 audit firms voluntarily disclose more and higher quality information in the annual reports than those audited by non-big 4 audit firms.

These results were inconsistent with both the theories and previous studies. According to agency theory, in order for the corporation to reduce agency cost, it has to disclose sufficient information to shareholders. Apart from agency theory, a previous study, Wang and Claiborne (2008) found that large audit firms are associated with greater voluntary corporate disclosure. Archambault and Archambault (2003) supposed that larger audit firms would encourage more corporate voluntary disclosure, to increase a corporation’s credibility. Similarly, Craswell and Taylor (1992) found a significant association between external auditor size and the extent of corporate voluntary disclosure in New Zealand, and Archambault and Archambault (2003) found a positive link between the sizes of the audit firms. Also Choi and Wong (2007) revealed that firms which used large audit firms were likely to have good corporate governance, linking back to the Audit Committee, which is part of corporate governance.

The coefficient for share diffusion was positive and highly significant (β = .266, p = .000), with each additional share diffusion being associated with an increase of 26.6 % in the quantity of corporate voluntary disclosure when other variables were constant. This implies that the quantity of corporate voluntary disclosure may increase with a decrease in the concentration of shares’ ownership, and this finding led to acceptance of Hypothesis 10.

These findings are in accordance with resource dependency theory, which states that firms with concentrated share ownership increase the power of shareholders to demand more corporate disclosure.

Empirically, these results are consistent with previous studies. For example, it has been found that the higher the shares’ ownership diffusion (i.e. many shareholders with smallholdings), the lower the corporate voluntary disclosure (Hossain *et al.,* 1994; Haniffa and Cooke, 2002; Barako *et al.,* 2006). Zeckhauser and Pound (1990) argued that small shares’ holdings reduced the power of shareholders to demand more corporate disclosure. In addition to these studies, Archambault and Archambault (2003) suggested that firms owned by external shareholders who cannot access private information disclose more information in their financial statements. Correspondingly, Hossain *et al.* (1994) and Haniffa and Cooke (2002) found that the higher the shares’ ownership diffusion (i.e. many shareholders with smallholdings), the lower the corporate voluntary disclosure.

Table 5.5.2, below, shows that there was a positive and non-significant relationship between the percentage of shares owned by institutional shareholders and the quantity of corporate voluntary disclosure in the annual reports (β = .086, p = .177). These results are inconsistent with Hypothesis 11 and agency theory, which suggests that corporate voluntary disclosure is used as a way of regulating perceived agency conflict of interest.

Similarly, this result is inconsistent with previous empirical studies, which found that firms with high institutional shareholdings provide more information voluntarily in their annual reports than those with or without low institutional shareholdings (Carson and Simnett, 1997; Bushee and Noe, 2000; Barako *et al.,* 2006; Wang and Claiborne, 2008). Also, Wang and Claiborne (2008) found that government ownership, and foreign ownership increased with extension of corporate voluntary disclosure. These results may be attributed to large ownership by institutional investors, such as governments and pension funds, which may tend to have good governance structures to protect their interests, and institutional investors who may have the power to exert pressure on management to increase information disclosure (Jensen and Meckling, 1979)

As expected, in Hypothesis 14, the percentage of independent board members was positively related to firm voluntary disclosure in the annual reports. This study found that there was a negative and non-significant relationship between the number of independent board members and corporate voluntary disclosure in the annual reports (β = -.088, P = .166). These results are inconsistent with the previous findings, which found that the proportion of independent directors on the board of directors has a positive association with corporate voluntary disclosure (Forker, 1992; Chen and Jaggi, 2001; Ho and Shun Wong, 2001). Furthermore, Cheng and Courtenay (2006) discovered that the number of independent board members was positively related to the quality of corporate voluntary disclosure in Singapore companies.

However, the finding is consistent with findings by Eng and Mak (2003) and Barako *et al.* (2006), who reported a negative relationship between the number of non-executive board members and corporate voluntary disclosure. The presence of independent board members may reduce the need for disclosing more information, as the members are assumed to represent the interests of external stakeholders (Eng and Mak, 2003) and the lack of independence of some non-executive directors might cause the negative relationship between the number of independent board members and firm voluntary disclosure (Barako *et al.,* 2006).

In Hypothesis 13, it was hypothesized that the percentage of the board of directors with financial expertise on the board had a positive relationship with corporate voluntary disclosure. The result showed that there was a negative non-significant relationship between the proportion of the board of directors with financial expertise and corporate voluntary disclosure (β = -.081, p =. 213), which was against Hypothesis 13. These results are consistent with previous empirical studies. Haniffa and Cooke (2002) found a non-significant relationship between the percentage of the board of directors’ educational level and the extent of corporate voluntary disclosure. Although there are other empirical studies revealing results which differ from this study, Cooke (2002) and Dey (2008) proposed that board members with business education might push for higher disclosure because of their understanding of financial information.

It was hypothesized in Hypothesis 5 that firms having higher liquidity levels, tended to disclose lesser and poorer corporate information. It was found that the liquidity level of the company and corporate voluntary disclosure had a negative and significant relationship (β = -.12, p =. 062), and the hypothesis was accepted. These findings are consistent with previous findings, which found that firms with inadequate liquidity may provide more information explaining their survival strategies than those with high, adequate liquidity (Wallace *et al.,* 1994), maybe to reduce agency costs caused by concerns over insolvency. However, other studies found a non-significant relationship between liquidity level and corporate voluntary disclosure level (Belkaoui and Kahl, 1978; Barako *et al.,* 2006).

The coefficient for profit level in Table 11, below, reveals that there was a positive and significant relationship between a company’s profit level and corporate voluntary disclosures in the annual reports, as expected in Hypothesis 6 (β = .172, p=.004) suggesting that, as the Profitability level increased by 1% in an organization, voluntary corporate disclosure will increase by 17.2%. These findings are consistent with previous studies, which found that high profit generally indicates good performance. Thus, firms with high profits may provide brief explanations of their results, which may result in higher levels of corporate voluntary disclosure, especially, when the higher profit is accompanied by a dividends payout (Singhvi and Desai, 1971; Inchausti, 1997; Wang and Claiborne, 2008; Broberg *et al.,* 2010). For instance, Wang and Claiborne (2008) found that the Profitability indicated by a return on equity increased with the extent of corporate voluntary disclosure. Also, Wang and Claiborne (2008) and Naser *et al.* (2006) found that the Profitability indicated by a return on equity increased with the extent of corporate voluntary disclosure. The provided information may fulfill management’s custodial responsibility and reduce any conflict of interest between managers and funder providers.

In Hypothesis 4 it was hypothesized that firms with higher corporate leverage disclose more voluntary corporate information. The findings of this study found the corporate leverage level to have a negative non-significant relationship with corporate voluntary disclosure (β = -.064, p=.274). These findings are inconsistent with previous studies, which found that corporate voluntary disclosure increases with leverage levels (Naser, 1998; Ahmed and Courtis, 1999; Barako *et al.,* 2006; Naser *et al.,* 2006). However, debt providers may gain internal information about firms’ performances, which may reduce their dependence on disclosure in the financial statements (Zarzeski, 1996). Consequently, corporate voluntary disclosure might decrease with an increase in leverage level.

These findings are also inconsistent with agency theory, which postulates that firms with higher leverage levels may voluntarily provide more information in order to decrease their perceived risk levels.

Previously it was hypothesized in Hypothesis 7 that the corporate voluntary disclosure in the annual reports increases with the number of industries in which a firm operates, while in this study it was revealed that a firm’s industrial diversity had a negative significant relationship with corporate voluntary disclosure (β = .115, p=.063) and, hence, the hypothesis was rejected. These findings are inconsistent with that suggested by Zarzeski (1996), that corporate voluntary disclosure might increase with the number of industries in which corporations operate, and Wallace and Naser (1996) and Haniffa and Cooke (2002), who indicated that an increase in the number of industries in which corporations operated increased corporate voluntary disclosure. These findings are similar to those of Chau and Gray (2002), who found that diversification decreases the cost of disclosure and, hence, with more diversification, corporate voluntary disclosure decreases.

As expected in Hypothesis 15, the separation between the leader of the board of directors and the CEO was positively related to corporate voluntary disclosure in the annual reports. This study found that there was a positive and non-significant relationship between separation between leader of the board of directors and the CEO and corporate voluntary disclosure in the annual reports (β = .069, P = .284). These findings are not consistent with what had been revealed in previous studies, that the separation of these two jobs improves the corporate governance practices, as it strengthens check and balance within a corporation (Fama and Jensen, 1983). In fact, Forker (1992) and Allegrini and Greco (2013) found that the presence of different leaders, one for the board of directors and another as CEO increased the extent of corporate voluntary disclosure.

However, these findings of the study are consistent with what Ho and Shun Wong (2001) reported, which was a lack of relationship between the extent of corporate voluntary disclosure and board leadership style. They suggested that CEOs in Hong Kong were sometimes major shareholders. Therefore, the board leadership style may not matter in the absence of separation of ownership and control. In addition, Cheng and Courtenay (2006) discovered that CEO duality was not positively related to the quality of corporate voluntary disclosure in Singapore companies. Also, Lam and Lee (2008) discovered that CEO dual roles operated well in non-family businesses in Hong Kong.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Idep. Variables | Overall CVD  Quantity firm level and individualism | Overall CVD  Quantity firm level uncertainty avoidance | Overall CVD  Quantity firm level and legal system | Overall CVD  Quantity firm level importance of religion | Overall CVD  Quantity firm level and economy development | Overall CVD  Quantity firm level press freedom | Overall CVD  Quantity firm level corruption | Overall CVD  Quantity firm level professionalism | Overall CVD  Quantity firm level and tertiary education | Overall CVD  Quantity firm level politics freedom |
| CS | -0.018(0.77) | 0.157\*\*(0.013) | 0.079\*(0.173) | 0.157\*\*(0.046) | 0.115\*(0.137) | 0.103\*(0.158) | 0.184\*\*(0.016) | 0.127\*\*(0.081) | 0.044(0.549) | 0.138\*\*(0.063) |
| CGR | 0.224\*\*\*(0.001) | -0.079(0.201) | -0.011(0.842) | -0.07(0.331) | -0.065(0.367) | -0.044(0.532) | -0.067(0.346) | -0.094\*(0.188) | -0.051(0.468) | -0.075(0.3) |
| PL | 0.172\*\*\*(0.004) | 0.077(0.235) | 0.07(0.23) | 0.095(0.203) | 0.102\*(0.171) | 0.101\*(0.167) | 0.084(0.26) | 0.126\*\*(0.092) | 0.111\*(0.131) | 0.094(0.215) |
| LVL | -0.064(0.274) | -0.099\*(0.178) | -0.059(0.381) | -0.204\*\*(0.019) | -0.182\*\*(0.032) | -0.17\*\*(0.041) | -0.224\*\*\*(0.009) | -0.098(0.294) | -0.125\*(0.145) | -0.195\*\*(0.021) |
| LQL | -0.12\*\* (0.062) | -0.103\*(0.165) | -0.17\*\*\*(0.009) | -0.28\*\*\*(0.001) | -0.284\*\*\*(0.001) | -0.306\*\*\*(0.000) | -0.279\*\*\*(0.001) | -0.194\*\*(0.029) | -0.27\*\*\*(0.001) | -0.266\*\*\*(0.002) |
| SI | 0.086(0.177) | 0.002(0.978) | 0.016(0.785) | -0.022(0.768) | -0.027(0.717) | 0(0.998) | -0.017(0.81) | 0.025(0.743) | 0.002(0.98) | -0.017(0.82) |
| SD | 0.266\*\*\*(0.000) | 0.164\*\*(0.011) | 0.075(0.207) | 0.26\*\*\*(0.001) | 0.28\*\*\*(0.000) | 0.218\*\*\*(0.003) | 0.232\*\*\*(0.002) | 0.275\*\*\*(0.000) | 0.233\*\*\*(0.001) | 0.26\*\*\*(0.001) |
| IS | 0.308\*\*\*(0.000) | 0.169\*\*(0.023) | -0.104\*\*(0.092) | -0.027(0.738) | -0.087(0.329) | -0.182\*\*(0.052) | 0.011(0.893) | -0.014(0.854) | -0.178\*\*(0.044) | -0.038(0.632) |
| ID | -0.115\*\* (0.063) | 0.053(0.43) | 0.068(0.266) | -0.078(0.302) | -0.078(0.299) | -0.075(0.306) | -0.069(0.355) | -0.045(0.551) | -0.055(0.46) | -0.07(0.361) |
| MUL | -0.06(0.342) | -0.011(0.855) | -0.07(0.212) | 0.02(0.78) | 0.029(0.69) | -0.015(0.834) | -0.004(0.959) | -0.015(0.833) | -0.007(0.919) | 0.007(0.919) |
| 4F | -0.165\*\*\*(0.008) | 0.046(0.472) | 0.086\*(0.144) | 0.046(0.558) | 0.025(0.739) | 0.038(0.601) | 0.075(0.329) | -0.027(0.727) | 0.007(0.927) | 0.028(0.707) |
| DUL | 0.069(0.284) | 0.012(0.842) | -0.028(0.611) | 0.062(0.379) | 0.059(0.399) | 0.055(0.42) | 0.056(0.417) | 0.068(0.326) | 0.05(0.467) | 0.068(0.34) |
| PABD | 0.1(0.113) | -0.164\*\*(0.012) | -0.202\*\*\*(0.001) | -0.214\*\*\*(0.005) | -0.217\*\*\*(0.004) | -0.235\*\*\*(0.002) | -0.211\*\*\*(0.005) | -0.204\*\*\*(0.006) | -0.219\*\*\*(0.003) | -0.214\*\*\*(0.005) |
| PBDF | -0.081(0.213) | -0.25\*\*\*(0.000) | -0.109\*\*(0.08) | -0.324\*\*\*(0.000) | -0.317\*\*\*(0.000) | -0.269\*\*\*(0.000) | -0.314\*\*\*(0.000) | -0.324\*\*\*(0.000) | -0.255\*\*\*(0.001) | -0.337\*\*\*(0.000) |
| PIBD | -0.088(0.166) | 0.024(0.737) | 0.065(0.304) | 0.221\*\*\*(0.006) | 0.224\*\*\*(0.005) | 0.235\*\*\*(0.003) | 0.213\*\*\*(0.007) | 0.145\*\*(0.085) | 0.191\*\*(0.013) | 0.206\*\*(0.012) |
| Dummy 2011 | Does not include | 0.028(0.63) | 0.012(0.82) | 0.022(0.743) | 0.022(0.748) | 0.016(0.812) | 0.021(0.754) | 0.029(0.663) | 0.019(0.771) | 0.023(0.734) |
| Institutional Factors (Country Level Factor) | -0.127\*\*(0.042) | -0.612\*\*\*(0.000) | -0.621\*\*\*(0.000) | 0.045(0.603) | 0.103(0.275) | 0.261\*\*\*(0.008) | 0.16\*\*(0.07) | 0.211\*\*(0.029) | 0.309\*\*\*(0.000) | -0.035(0.688) |
| *F* value | 6.872 | 9.391 | 13.230 | 4.748 | 4.832 | 5.378 | 5.024 | 5.160 | 5.684 | 4.738 |
| Adjusted *R2* | .302 | .462 | .556 | .277 | .282 | .310 | .292 | .299 | .330 | .277 |
| *Durbin-Watson* | .823 | .873 | .899 | .845 | .848 | .876 | .851 | .848 | 860 | .843 |
| *N* | 596 | 596 | 596 | 596 | 596 | 596 | 596 | 596 | 596 | 596 |

Table 11: OLS regression findings of all firm levels Overall and individual country level (CVD OVERALL) Quantity overall

Note: Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD).

* 1. Robustness of the Findings of Firm Level Factors and the Quantity of Voluntary Disclosure

This section presents the sensitivity analysis, to check the robustness of the findings from both the country and firm level models. In line with Ntim et al. (2012) and Ntim and Soobaroyen (2013), two tests were employed in this analysis, namely, testing whether the results were unaffected by time, and checking whether the results changed with proxy measures of the quantity of corporate voluntary disclosure.

Yearly regressions analyses were run to examine how the results of the firm levels models changed over time: models for 2011 and other models for 2012. These results are shown in Table 12 and Table 13. For ease of comparison, results from the pooled regression of firm variables are presented in the first column of both tables and they are almost similar; even the statistical power of the models is qualitatively similar, indicating that the results are robust.

Likewise, an examination of the sensitivity of the results was carried out with a sub-index of the quality of voluntary disclosure, and these results are shown in Table 12 and Table 13 below, after the first columns of the tables. As can be seen from those tables, the significances and signs of the coefficients were almost maintained, as very few coefficients changed their signs or significance levels across all sub-categories of the quality of voluntary disclosure.

Table 12: OLS regression findings of (CVD OVERALL) all firm levels and Sub categories level Quantity 2012

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Idep. Variables | Overall CVD  *Quantity 2011* firm level and individualism | Overall CVD  *Quantity 2011* firm level uncertainty avoidance | Overall CVD  *Quantity 2011* firm level and legal system | Overall CVD  *Quantity 2011* firm level importance of religion | Overall CVD  *Quantity 2011* firm level and economy development | Overall CVD  *Quantity 2011* firm level press freedom | Overall CVD  *Quantity 2011* firm level corruption | Overall CVD  *Quantity 2011* firm level professionalism | Overall CVD  *Quantity 2011* firm level and tertiary education | Overall CVD  *Quantity 2011* firm level politics freedom |
| IS | -0.063(0.495) | -0.002(0.986) | -0.043(0.62) | -0.059(0.529) | -0.072(0.435) | -0.071(0.447) | -0.062(0.508) | -0.057(0.54) | -0.104(0.257) | -0.053(0.568) |
| 4F | 0.208\*\*(0.03) | 0.11(0.225) | 0.147\*(0.104) | 0.195\*\*(0.044) | 0.175\*\*(0.067) | 0.215\*\*(0.028) | 0.194\*\*(0.046) | 0.198\*\*(0.041) | 0.208\*\*(0.026) | 0.209\*\*(0.031) |
| DUL | 0.189\*\*(0.03) | 0.153\*\*(0.062) | 0.152\*\*(0.066) | 0.198\*\*(0.027) | 0.183\*\*(0.036) | 0.191\*\*(0.03) | 0.196\*\*(0.027) | 0.194\*\*(0.028) | 0.171\*\*(0.046) | 0.178\*\*(0.048) |
| CGR | 0.004(0.962) | 0.016(0.848) | 0.027(0.746) | 0.005(0.957) | -0.001(0.995) | 0.007(0.935) | 0(0.998) | 0.005(0.959) | -0.027(0.749) | 0.006(0.946) |
| LVL | -0.141\*(0.141) | -0.101(0.247) | -0.073(0.411) | -0.107(0.26) | -0.084(0.374) | -0.111(0.239) | -0.108(0.255) | -0.111(0.245) | -0.102(0.265) | -0.107(0.256) |
| PL | 0.12(0.21) | 0.1(0.259) | 0.12\*(0.179) | 0.14\*(0.146) | 0.143\*(0.129) | 0.137\*(0.152) | 0.141\*(0.14) | 0.141\*(0.141) | 0.134\*(0.147) | 0.14\*(0.141) |
| SD | 0.278\*\*\*(0.004) | 0.172\*\*\*(0.063) | 0.157\*(0.1) | 0.275\*\*\*(0.007) | 0.278\*\*\*(0.004) | 0.261\*\*\*(0.008) | 0.277\*\*\*(0.006) | 0.269\*\*\*(0.007) | 0.25\*\*\*(0.009) | 0.297\*\*\*(0.004) |
| SI | 0.297\*\*\*(0.002) | 0.243\*\*\*(0.008) | 0.259\*\*\*(0.005) | 0.308\*\*\*(0.002) | 0.273\*\*\*(0.006) | 0.317\*\*\*(0.001) | 0.306\*\*\*(0.002) | 0.313\*\*\*(0.003) | 0.306\*\*\*(0.001) | 0.316\*\*\*(0.001) |
| PABD | -0.112(0.227) | -0.12\*(0.158) | -0.127\*(0.138) | -0.14\*(0.129) | -0.143\*(0.115) | -0.127\*(0.17) | -0.138\*(0.137) | -0.139\*(0.139) | -0.09(0.32) | -0.136\*(0.139) |
| PBDF | -0.084(0.371) | -0.134\*(0.133) | -0.073(0.407) | -0.069(0.468) | -0.043(0.652) | -0.06(0.523) | -0.069(0.467) | -0.071(0.474) | -0.085(0.354) | -0.048(0.619) |
| PIBD | -0.162\*\*(0.076) | -0.181\*\*(0.031) | -0.153\*\*(0.072) | -0.191\*\*(0.042) | -0.172\*\*(0.056) | -0.16\*\*(0.09) | -0.182\*\*(0.047) | -0.182\*\*(0.054) | -0.077(0.423) | -0.15\*(0.124) |
| CS | 0.079(0.39) | 0.048(0.577) | -0.054(0.569) | 0.081(0.408) | 0.037(0.701) | 0.054(0.588) | 0.087(0.353) | 0.091(0.339) | -0.002(0.984) | 0.104(0.27) |
| MUL | 0.073(0.44) | 0.039(0.654) | 0.03(0.739) | 0.097(0.31) | 0.122\*(0.194) | 0.091(0.339) | 0.105(0.269) | 0.101(0.288) | 0.096(0.293) | 0.132\*(0.187) |
| LQL | -0.127\*(0.19) | -0.051(0.568) | -0.082(0.363) | -0.108(0.267) | -0.102(0.284) | -0.124(0.206) | -0.109(0.26) | -0.109(0.262) | -0.145\*(0.126) | -0.114(0.24) |
| ID | -0.074(0.428) | -0.019(0.832) | -0.041(0.641) | -0.062(0.509) | -0.08(0.391) | -0.072(0.446) | -0.066(0.485) | -0.061(0.519) | -0.092(0.315) | -0.075(0.429) |
| Institutional factors value | -0.142\*(0.124) | -0.392\*\*\*(0.000) | -0.363\*\*\*(0.000) | -0.027(0.793) | 0.169\*\*(0.095) | 0.095(0.342) | -0.035(0.712) | 0.011(0.91) | 0.267\*\*\*(0.009) | 0.102(0.355) |
| *F* value | 3.365 | 4.767 | 4.502 | 3.140 | 3.408 | 3.221 | 3.146 | 3.134 | 3.811 | 3.216 |
| Adjusted *R2* | .259 | 3.58 | .342 | .241 | .263 | .248 | .241 | .240 | .294 | .247 |
| Durbin-Watson | 1.526 | 1.484 | 1.570 | 1.529 | 1.450 | 1.539 | 1.515 | 1.535 | 1.504 | 1.528 |
| *N* | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 |

Note: Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD).

Table 13: OLS regression findings of (CVD OVERALL) all firm levels and Sub categories level Quantity 2011

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Idep. Variables | CVD 2011 Quantity overall | CVD 2011  Quantity  GCI | CVD 2011  Quantity  CSG | CVD 2011  Quantity  CFPS | CVD 2011  Quantity  CDI | CVD 2011  Quantity  CEI | CVD 2011  Quantity  CSPVI | CVD 2011  Quantity  CFR | CVD 2011  Quantity  CSPI | CVD 2011  Quantity  CSI |
| IS | -0.057(0.539) | -0.023(0.813) | 0.009(0.919) | -0.024(0.795) | -0.002(0.983) | -0.075(0.459) | -0.066(0.513) | -0.025(0.799) | -0.059(0.574) | 0.009(0.925) |
| 4F | 0.198(0.039) | 0.137\*(0.17) | 0.17(0.068) | 0.265(0.007) | 0.036(0.739) | 0.284(0.007) | 0.089(0.387) | 0.196(0.051) | 0.168\*(0.122) | 0.246(0.013) |
| DUL | 0.194(0.027) | 0.132\*(0.149) | 0.168(0.05) | 0.114(0.202) | 0.101(0.305) | 0.104(0.276) | 0.202(0.035) | 0.103(0.261) | 0.043(0.666) | 0.229(0.012) |
| CGR | 0.007(0.94) | 0.013(0.887) | -0.016(0.849) | 0.017(0.85) | 0.05(0.615) | 0.002(0.986) | -0.014(0.882) | 0.01(0.917) | 0.038(0.705) | 0.037(0.682) |
| LVL | -0.11(0.244) | 0.028(0.777) | -0.123\*(0.183) | -0.104(0.279) | -0.03(0.78) | -0.088(0.392) | -0.039(0.701) | -0.072(0.467) | -0.166\*(0.123) | -0.093(0.334) |
| PL | 0.141\*(0.14) | 0.049(0.622) | 0.139\*(0.136) | 0.135(0.167) | 0.078(0.467) | 0.108(0.298) | 0.07(0.501) | 0.132\*(0.187) | 0.071(0.51) | 0.107(0.274) |
| SD | 0.268\*\*\*(0.006) | 0.386\*\*\*(0.000) | 0.405\*\*\*(0.000) | 0.197\*\*(0.046) | -0.051(0.64) | 0.089(0.396) | 0.162\*(0.124) | 0.134\*(0.185) | 0.017(0.874) | 0.185\*\*(0.063) |
| SI | 0.31\*\*\*(0.002) | 0.179\*\*(0.076) | 0.343\*\*\*(0.000) | 0.241\*\*(0.015) | 0.265\*\*(0.016) | 0.159\*(0.13) | 0.227\*\*(0.031) | 0.346\*\*\*(0.001) | 0.229\*\*(0.037) | 0.186\*\*(0.06) |
| PABD | -0.14\*(0.126) | -0.059(0.539) | -0.034(0.7) | -0.082(0.38) | -0.094(0.362) | -0.106(0.291) | -0.082(0.408) | -0.029(0.761) | -0.027(0.794) | -0.109(0.245) |
| PBDF | -0.068(0.473) | 0.04(0.687) | -0.001(0.991) | -0.034(0.724) | -0.065(0.545) | 0.046(0.654) | -0.077(0.454) | 0.032(0.745) | -0.101(0.345) | -0.16\*(0.101) |
| PIBD | -0.185\*\*(0.041) | -0.169\*\*(0.074) | -0.147\*\*(0.095) | -0.114(0.215) | 0.053(0.603) | -0.031(0.752) | -0.281\*\*\*(0.005) | -0.097(0.304) | -0.019(0.855) | -0.088(0.337) |
| CS | 0.089(0.338) | 0.051(0.602) | 0.156\*\*(0.088) | 0.18\*\*(0.06) | 0.088(0.4) | 0.02(0.84) | -0.006(0.953) | 0.069(0.476) | 0.018(0.863) | 0.184\*\*(0.055) |
| MUL | 0.101(0.283) | 0.026(0.79) | 0.15\*(0.104) | 0.02(0.835) | -0.11(0.3) | 0.046(0.654) | 0.027(0.79) | 0.108(0.273) | -0.005(0.965) | 0.021(0.828) |
| LQL | -0.108(0.262) | -0.07(0.489) | -0.104(0.267) | -0.125(0.205) | -0.012(0.911) | -0.094(0.373) | -0.049(0.64) | -0.173\*\*(0.088) | -0.145\*(0.188) | -0.07(0.474) |
| ID | -0.062(0.512) | 0.1(0.31) | -0.137\*(0.137) | -0.051(0.597) | 0.097(0.361) | -0.108(0.293) | -0.008(0.938) | -0.039(0.689) | 0.004(0.973) | 0.01(0.918) |
| *F* value | 3.378 | 2.525 | 3.841 | 3.003 | 1.282 | 1.815 | 1.893 | 2.538 | 1.196 | 2.936 |
| Adjusted *R2* | .248 | .175 | .283 | .218 | .038 | .102 | .110 | .176 | .027 | .212 |
| Durbin-Watson | 1.525 | 1.505 | 1.755 | 1.450 | 1.099 | 1.517 | 1.497 | 1.543 | 1.068 | 1.630 |
| *N* | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 |

Note: Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD).

* 1. Empirical Results of Country Level Factors on the Quantity of Voluntary Corporate Voluntary Disclosure Model

In the previous section, the relationship between the quantity of corporate voluntary disclosure and firm level factors was examined, with the aim of answering research question 1 of the study, namely, what is the association between firm level factors and the quantity / quality of voluntary disclosure? In this section, the relationship between country level factors and corporate voluntary disclosure is examined, but with the aim of answering question 2 of the study, namely, how do country level factors influence the quantity and quality of voluntary disclosure in a given country? The variables investigated by this model included Legal systems (LEGSYS), Individualism (INDIVIDUAL), Uncertainty Avoidance (UNAVOID), Economy development (Eco), Press freedom (PRESSFREE), Corruption (Corruption), Political freedom (POLIFREE), Tertiary Education (TEREDU), Professionalism (PROFESS), and importance of religion (RELIGION).

Table 5.7.1. below, shows a summary of the hypotheses developed to examine the relationship between country level factors and the quantity of corporate voluntary disclosure. It was hypothesised that individualistic national cultures, Code laws, the use of IFRS/IASs, economic development, and press development would be positively related to corporate voluntary disclosure. However, political freedom and an uncertainty avoidance culture were hypothesised to be positively associated with the quality of corporate voluntary disclosure.

Table 14: A summary of all hypotheses and findings for the quantity voluntary corporate disclosure as a dependent variable, and country level factors

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Explanatory Variable | No.  Hypothesis | Expected sign | Findings sign | Findings significance | Hypothesis status |
| LEGSYS | 01 | + | - | Significant at the 1% level | Rejected |
| INDIVIDUAL | 03 | + | - | Significant at the 10% level | Rejected |
| UNAVOID | 04 | - | - | Significant at the 1% level | Accepted |
| ECO | 07 | + | + | non-significant | Rejected |
| PRESSFREE | 08 | + | + | Significant at the 1% level | Accepted |
| CORRUPTION | 09 | - | + | Significant at the 5% level | Rejected |
| POLIFREE | 10 | - | - | non-significant | Rejected |
| TEREDU | 05 | + | + | Significant at the 1% level | Accepted |
| PROFESS | 02 | + | + | Significant at the 5% level | Accepted |
| RELIGION | 06 | + | + | non-significant | Rejected |

Note: Legal system (LEGSYS), Individualism (INDIVIDUAL), Uncertainty Avoidance (UNAVOID), Economy development (Eco), Press freedom (PRESSFREE), Corruption (Corruption), Political freedom (POLIFREE), Tertiary Education (TEREDU), Professionalism (PROF ESS) and importance of religion (RELIGION).

It was expected in hypothesis 3, that individual national cultures and corporate voluntary disclosure in annual reports would be positive related. However, the findings of the study did not support the hypothesis that individual national cultures and corporate voluntary disclosure in the annual reports were positively related (β = -.127, p = .042). Hence, the hypothesis was rejected.

This result was not consistent with the assumption that the higher the individualism and masculinity in a country’s culture, the higher the firm voluntary disclosure, because of a strong desire for success resulting in a high demand for information (Gray, 1988; García-Sánchez *et al.,* 2013). These speculations were also inconsistent with what Darrough (1995) found, that those cultural variables were associated with high corporate voluntary disclosure. Also, according to NIS theory, firms’ behavior might reflect the culture of the society in which they are located as, otherwise, they may find it difficult to operate when they lack legitimacy.

It was expected in Hypothesis 7, that the greater the economic development level of a country, the greater the extent of voluntary disclosure in the annual reports. The results did not support this hypothesis, as the coefficient of the variable was positive and statistically non-significant (β = .103, p = .275). This result suggests that there is no relationship between economic development and corporate voluntary disclosure. Hence, an increase in national income level has nothing to do with the quantity of corporate voluntary disclosure.

This finding does not support the findings that stakeholders from developed countries are more information hungry than those from developing ones (Ahmed and Courtis, 1999; Hassan *et al.,* 2011). Moreover, Archambault and Archambault (2003) asserted that, as an economy grows, corporations might need more external capital, either through capital markets or banks, both of which may lead to high information provision. On the other hand, Nicholls and Ahmed (1995) argued that a low development level might be associated with poor voluntary disclosures because of lack of proper regulations and control of corporations’ behavior, as the regulation and control may not be the priority of a developing country. These positive relationships between the level of development and corporate voluntary disclosure have been reported by several studies (Adhikari and Tondkar, 1992; Darrough, 1995; Doupnik and Salter, 1995; Archambault and Archambault, 2003).

This study also examined the relationship between political freedom and the level of corporate voluntary disclosure. It was hypothesized in Hypothesis 10 that in a country with greater political freedom, there would be a low level of corporate voluntary disclosure. The findings of the study supported this assertion, as there was a negative relationship, but the relationship was statistically non-significant (β = -.035, p = .688), signifying that political freedom in a country has nothing to do with the quality of corporate voluntary disclosure.

What was revealed in this study contradicts the findings of Mohamad and Sulong (2010), who proposed that the level of information disclosed and political freedom might be positively related. This is because in an environment where there is political freedom, politicians and activists are free to say what they feel and the disclosure may be used to satisfy the information needs of the people. Consequently, the level of corporate voluntary disclosure is likely to be high in that society, as corporations may satisfy both the press and public demands (Haniffa and Cooke, 2002; Archambault and Archambault, 2003). Likewise, the corporates may voluntarily disclose information to legitimize their activities to the societies and governments in which they operate (De Villiers and Van Staden, 2006). However, this finding was inconsistent with the results of Archambault and Archambault (2003), who found that countries with higher political freedom were associated with low voluntary disclosure.

Hypothesis 08 anticipated that there would be a positive relationship between the press freedom of a country and corporate voluntary disclosure in the annual reports. However, the coefficient for press freedom was positive and statistically significant (β = .261, p = .008). These findings are therefore inconsistent with the argument that, where there is high freedom, corporate voluntary disclosure might be low, because more information may have already been disclosed to that society through the media (Archambault and Archambault, 2003).

Hypothesis 06 hypothesized that there was a positive relationship between the level of religion beliefs in a country and corporate voluntary disclosure. In fact, the coefficient for the importance of religion was positive and statistically non-significant (β =.045, p = .603), implying that changes in religious beliefs did not affect the quality of corporate voluntary disclosure. This result was inconsistent with the previous studies, which had revealed that the impact of religion on corporate voluntary disclosure was reportedly positive, as religion may lead managers to act more openly (Maali *et al.,* 2006; Su *et al.,* 2011; Dyreng *et al.,* 2012). Specifically, managers who are deeply religious may not be self-seeking (Hamid *et al.,* 1993) and they are probably more transparent than their counterparts. Subsequently, according to NIS theory, firms’ behavior might reflect the culture of the society in which they are located as, otherwise, they may find difficult to operate when they lack legitimacy.

Hypothesis 02 expected that firms reporting not in accordance with IFRSs and IASs voluntarily disclosure would give less information than those reporting in compliance with IFRSs and IASs. Table 11 below, shows that the coefficient of the accounting professionallevel was positive and statistically significant (β =.211, p = .029). Thus, the quantity of corporate voluntary disclosure of corporations in countries operating in compliance with IFRS and IASs exceeded those operating with country accounting standards by approximately 29%. The adoption of IFRSs has also been attributed with great improvement in the disclosure (Soderstrom and Sun, 2007; Bischof , 2009). Theoretically, IFRSs and IASs may affect corporate voluntary disclosure positively through normative isomorphism, because they normally encourage further disclosure. In fact, the culture of corporate voluntary disclosure in Taiwan increased significantly after the adoption of IFRSs and IASs (Kuasirikun, 2005).

Hypothesis 01 expected that firms operating in Code law countries would voluntarily disclose a lower quality information than those operating in Common law countries*.* This expectation was supported by the coefficient for the legal system being negative and significant (β =-.621, p = .000), indicating that the quality of corporate voluntary disclosure of corporations from Code law countries was lower than the disclosure of corporations from Common law countries by approximately 62.1%.

This result is consistent with previous results, which found a significantly larger extent of corporate voluntary disclosure from corporations in Common law countries than from corporations from Code law countries (Wallace *et al.,* 1994; Inchausti, 1997; Archambault and Archambault, 2003; Baker *et al.,* 2003; Nagar *et al.,* 2003). Singhvi and Desai (1971) claimed that Common law usually imposes a set of rules on corporations which, according to Belkaoui and Kahl (1978), broaden ownership and increase access to external funds. Theoretically, coercive isomorphism may explain why corporate voluntary disclosure of corporations from Code law countries differ from those operating in Common law countries, because different type of laws may determine how corporations should behave, possibly with the application of penalties to enforce the laws.

In the hypothesis 4 it was hypothesized that corporate voluntary disclosure has a negative relationship with uncertainity avaoidance. The findings of this study supported the hypothesis that corporate voluntary disclosure has a negative relationship with uncertainity avaoidance, as their relationship was negative and significant (β =-.612, p = .000).

These findings are consistent with those found in Gray (1988) and Jaggi and Low (2000), who suggested that the higher the power distance and uncertainty avoidance in a country, the lower the firm voluntary disclosure. Society in that country is likely to be more submissive to an authority and averse to uncertainty situations respectively, consequently lowering the demand for information. These findings are supported by the results from Darrough (1995), who found that those cultural variables were associated with low corporate voluntary disclosure. Also, Adhikari and Tondkar (1992) found that a culture of uncertainty avoidance had a negative impact on corporate voluntary disclosure. In addition, Hope (2003) discovered that masculinity and uncertainty avoidance exerted a negative influence on it. However, the findings of this study were inconsistent with what Zarzeski (1996) found, that uncertainty avoidance was a non-significant factor in relation to corporate voluntary disclosure.

Hypothesis 05 hypothesized that the greater the educational level (literacy) in a country, the greater and the higher would be the quantity of firm voluntary disclosure in the country, which was consistent with the findings of this study, that the level of tertiary education level in a country had a positive significant relationship with corporate voluntary disclosure (β =-.264, p = .002).

These findings are consistent with the findings of Archambault and Archambault (2003) and Elsayed and Hoque (2010), that an increase in a country’s educational level has a positive impact on corporate voluntary disclosure, due to an increase in the demand for information. This was also consistent with NIS theory, that firms’ behavior might reflect the culture of the society in which they were located as, otherwise, they may find it difficult to operate when they lack legitimacy.

In hypothesis 9, it was hypothesized that there is a negative relationship between the corruption levels of a country and corporate voluntary disclosure in the annual reports. This study found that the relationship between corruption and corporate voluntary disclosure was positive and significant. This means that as the corruption level of a country increases, corporate voluntary disclosure increases. These findings are inconsistent with those found by Rock and Bonnett (2004), that a corrupt government tends to be secretive and that this decreases the level of disclosure, not only of the government itself, but also of the firms it deals with. The results were also inconsistent with the findings of Houqe *et al.,* (2013) that reported that the level of corruption decreases when the quality of accounting drops.

* 1. Robustness of the Findings regarding Country Level Factors and Quantity of Voluntary Disclosure

This section presents the sensitivity analysis to check the robustness of the findings from both the country and firm level models. As previously, two tests were employed in this analysis, namely, testing whether the results are unaffected by time, and checking whether the results change with proxy measures for the quality of corporate voluntary disclosure.

Yearly regressions analyses were run to examine how the results of the firm levels models changed over time: models for 2011 and other models for 2012. These results are shown in Table 15 and Table 16 below. For ease of comparison, the results from the pooled regression of the firm variables are presented in the first column of both tables, and they are almost similar, indicating that the results are robust.

Likewise, examination of the sensitivity of the results with a sub-index of the quality of voluntary disclosure and their results are shown in Table 15 and Table 16, below, after the first columns of the tables. As can be seen from the tables, the significances and signs of the coefficients were almost maintained, as very few coefficients changed their signs or significance levels across all sub-categories of the quality of voluntary disclosure.

Table 15: OLS regression findings of all firm levels Overall and individual country level (CVD OVERALL) Quantity 2011

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Idep. Variables | Overall CVD  Quantity 2011 firm level and individualism | Overall CVD  Quantity 2011 firm level uncertainty avoidance | Overall CVD  Quantity 2011 firm level and legal system | Overall CVD  Quantity 2011 firm level importance of religion | Overall CVD  Quantity 2011 firm level and economy development | Overall CVD  Quantity 2011 firm level press freedom | Overall CVD  Quantity 2011 firm level corruption | Overall CVD  Quantity 2011 firm level professionalism | Overall CVD  Quantity 2011 firm level and tertiary education | Overall CVD  Quantity 2011 firm level politics freedom |
| IS | -0.063(0.495) | -0.002(0.986) | -0.043(0.62) | -0.059(0.529) | -0.072(0.435) | -0.071(0.447) | -0.062(0.508) | -0.057(0.54) | -0.104(0.257) | -0.053(0.568) |
| 4F | 0.208\*\*(0.03) | 0.11(0.225) | 0.147\*(0.104) | 0.195\*\*(0.044) | 0.175\*\*(0.067) | 0.215\*\*(0.028) | 0.194\*\*(0.046) | 0.198\*\*(0.041) | 0.208\*\*(0.026) | 0.209\*\*(0.031) |
| DUL | 0.189\*\*(0.03) | 0.153\*\*(0.062) | 0.152\*\*(0.066) | 0.198\*\*(0.027) | 0.183\*\*(0.036) | 0.191\*\*(0.03) | 0.196\*\*(0.027) | 0.194\*\*(0.028) | 0.171\*\*(0.046) | 0.178\*\*(0.048) |
| CGR | 0.004(0.962) | 0.016(0.848) | 0.027(0.746) | 0.005(0.957) | -0.001(0.995) | 0.007(0.935) | 0(0.998) | 0.005(0.959) | -0.027(0.749) | 0.006(0.946) |
| LVL | -0.141\*(0.141) | -0.101(0.247) | -0.073(0.411) | -0.107(0.26) | -0.084(0.374) | -0.111(0.239) | -0.108(0.255) | -0.111(0.245) | -0.102(0.265) | -0.107(0.256) |
| PL | 0.12(0.21) | 0.1(0.259) | 0.12\*(0.179) | 0.14\*(0.146) | 0.143\*(0.129) | 0.137\*(0.152) | 0.141\*(0.14) | 0.141\*(0.141) | 0.134\*(0.147) | 0.14\*(0.141) |
| SD | 0.278\*\*\*(0.004) | 0.172\*\*\*(0.063) | 0.157\*(0.1) | 0.275\*\*\*(0.007) | 0.278\*\*\*(0.004) | 0.261\*\*\*(0.008) | 0.277\*\*\*(0.006) | 0.269\*\*\*(0.007) | 0.25\*\*\*(0.009) | 0.297\*\*\*(0.004) |
| SI | 0.297\*\*\*(0.002) | 0.243\*\*\*(0.008) | 0.259\*\*\*(0.005) | 0.308\*\*\*(0.002) | 0.273\*\*\*(0.006) | 0.317\*\*\*(0.001) | 0.306\*\*\*(0.002) | 0.313\*\*\*(0.003) | 0.306\*\*\*(0.001) | 0.316\*\*\*(0.001) |
| PABD | -0.112(0.227) | -0.12\*(0.158) | -0.127\*(0.138) | -0.14\*(0.129) | -0.143\*(0.115) | -0.127\*(0.17) | -0.138\*(0.137) | -0.139\*(0.139) | -0.09(0.32) | -0.136\*(0.139) |
| PBDF | -0.084(0.371) | -0.134\*(0.133) | -0.073(0.407) | -0.069(0.468) | -0.043(0.652) | -0.06(0.523) | -0.069(0.467) | -0.071(0.474) | -0.085(0.354) | -0.048(0.619) |
| PIBD | -0.162\*\*(0.076) | -0.181\*\*(0.031) | -0.153\*\*(0.072) | -0.191\*\*(0.042) | -0.172\*\*(0.056) | -0.16\*\*(0.09) | -0.182\*\*(0.047) | -0.182\*\*(0.054) | -0.077(0.423) | -0.15\*(0.124) |
| CS | 0.079(0.39) | 0.048(0.577) | -0.054(0.569) | 0.081(0.408) | 0.037(0.701) | 0.054(0.588) | 0.087(0.353) | 0.091(0.339) | -0.002(0.984) | 0.104(0.27) |
| MUL | 0.073(0.44) | 0.039(0.654) | 0.03(0.739) | 0.097(0.31) | 0.122\*(0.194) | 0.091(0.339) | 0.105(0.269) | 0.101(0.288) | 0.096(0.293) | 0.132\*(0.187) |
| LQL | -0.127\*(0.19) | -0.051(0.568) | -0.082(0.363) | -0.108(0.267) | -0.102(0.284) | -0.124(0.206) | -0.109(0.26) | -0.109(0.262) | -0.145\*(0.126) | -0.114(0.24) |
| ID | -0.074(0.428) | -0.019(0.832) | -0.041(0.641) | -0.062(0.509) | -0.08(0.391) | -0.072(0.446) | -0.066(0.485) | -0.061(0.519) | -0.092(0.315) | -0.075(0.429) |
| Institutional factors value | -0.142\*(0.124) | -0.392\*\*\*(0.000) | -0.363\*\*\*(0.000) | -0.027(0.793) | 0.169\*\*(0.095) | 0.095(0.342) | -0.035(0.712) | 0.011(0.91) | 0.267\*\*\*(0.009) | 0.102(0.355) |
| F value | 3.365 | 4.767 | 4.502 | 3.140 | 3.408 | 3.221 | 3.146 | 3.134 | 3.811 | 3.216 |
| Adjusted R2 | .259 | 3.58 | .342 | .241 | .263 | .248 | .241 | .240 | .294 | .247 |
| Durbin-Watson | 1.526 | 1.484 | 1.570 | 1.529 | 1.450 | 1.539 | 1.515 | 1.535 | 1.504 | 1.528 |
| N | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 |

Note: Corporate Voluntary Disclosure (CVD) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD).

Table 16: OLS regression findings of (CVD OVERALL) all firm levels Overall and individual country level Quantity 2012

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Idep. Variables | Overall CVD  Quantity 2012 firm level and individualism | Overall CVD  Quantity 2012 firm level uncertainty avoidance | Overall CVD  Quantity 2012 firm level and legal system | Overall CVD  Quantity 2012 firm level importance of religion | Overall CVD  Quantity 2012 firm level and economy development | Overall CVD  Quantity 2012 firm level press freedom | Overall CVD  Quantity 2012 firm level corruption | Overall CVD  Quantity 2012 firm level professionalism | Overall CVD  Quantity 2012 firm level and tertiary education | Overall CVD  Quantity 2012 firm level politics freedom |
| MUL | 0.067(0.482) | 0.022(0.798) | -0.004(0.963) | 0.083(0.391) | 0.103(0.281) | 0.077(0.422) | 0.087(0.366) | 0.088(0.358) | 0.083(0.371) | 0.115(0.259) |
| CS | 0.115(0.22) | 0.081(0.346) | -0.025(0.795) | 0.118(0.236) | 0.076(0.442) | 0.096(0.345) | 0.127\*(0.182) | 0.126\*(0.19) | 0.042(0.675) | 0.139\*(0.148) |
| LQL | -0.038(0.688) | 0.026(0.769) | -0.043(0.629) | -0.034(0.72) | -0.057(0.555) | -0.048(0.624) | -0.033(0.733) | -0.033(0.729) | -0.073(0.445) | -0.042(0.664) |
| ID | -0.106(0.262) | -0.057(0.505) | -0.07(0.426) | -0.092(0.329) | -0.1(0.285) | -0.101(0.287) | -0.092(0.332) | -0.092(0.328) | -0.117(0.207) | -0.102(0.285) |
| CGR | -0.136\*(0.116) | -0.115\*(0.144) | -0.07(0.39) | -0.128\*(0.143) | -0.101(0.251) | -0.121\*(0.166) | -0.131\*(0.134) | -0.13\*(0.138) | -0.103(0.23) | -0.128\*(0.14) |
| LVL | -0.102(0.278) | -0.091(0.281) | -0.081(0.351) | -0.081(0.388) | -0.073(0.428) | -0.085(0.36) | -0.082(0.378) | -0.082(0.379) | -0.081(0.375) | -0.082(0.377) |
| PL | 0.044(0.638) | 0.007(0.934) | 0.026(0.768) | 0.054(0.565) | 0.068(0.466) | 0.052(0.582) | 0.053(0.575) | 0.054(0.568) | 0.063(0.495) | 0.057(0.546) |
| SD | 0.248\*\*(0.01) | 0.119\*(0.185) | 0.131\*(0.165) | 0.259\*\*(0.01) | 0.266\*\*\*(0.006) | 0.24\*\*(0.015) | 0.251\*\*(0.012) | 0.252\*\*(0.01) | 0.223\*\*(0.02) | 0.278\*\*\*(0.007) |
| SI | 0.315\*\*\*(0.001) | 0.067(0.419) | 0.273\*\*\*(0.003) | 0.324\*\*\*(0.001) | 0.284\*\*\*(0.005) | 0.332\*\*\*(0.001) | 0.326\*\*\*(0.001) | 0.325\*\*\*(0.002) | 0.318\*\*\*(0.001) | 0.329\*\*\*(0.001) |
| PABD | -0.121\*(0.182) | 0.157\*\*(0.081) | -0.108\*(0.195) | -0.141\*(0.116) | -0.136\*(0.124) | -0.128\*(0.158) | -0.143\*(0.113) | -0.143\*(0.116) | -0.088(0.33) | -0.135\*(0.132) |
| PBDF | -0.026(0.78) | 0.262\*\*\*(0.003) | -0.039(0.656) | -0.017(0.853) | 0.004(0.967) | -0.007(0.939) | -0.016(0.866) | -0.015(0.873) | -0.024(0.797) | 0(0.999) |
| PIBD | -0.174\*\*(0.062) | -0.111\*(0.17) | -0.171\*\*(0.045) | -0.207\*\*(0.028) | -0.194\*\*(0.033) | -0.18\*\*(0.059) | -0.201\*\*(0.03) | -0.201\*\*(0.038) | -0.103(0.299) | -0.175\*\*(0.072) |
| DUL | 0.15\*\*(0.092) | -0.109(0.214) | 0.11\*(0.188) | 0.158\*\*(0.081) | 0.149\*\*(0.093) | 0.153\*\*(0.086) | 0.154\*\*(0.087) | 0.154\*\*(0.086) | 0.143\*(0.102) | 0.146\*(0.105) |
| 4F | 0.234\*\*(0.015) | -0.183\*\*(0.028) | 0.167\*\*(0.065) | 0.219\*\*(0.025) | 0.199\*\*(0.039) | 0.24\*\*(0.015) | 0.224\*\*(0.022) | 0.224\*\*(0.021) | 0.234\*\*(0.013) | 0.232\*\*(0.017) |
| ID | 0.017(0.855) | 0.101(0.214) | 0.022(0.795) | 0.018(0.841) | 0.002(0.98) | 0.008(0.932) | 0.021(0.818) | 0.021(0.82) | -0.026(0.775) | 0.023(0.803) |
| Institutional factors value | -0.12\*(0.199) | -0.426\*\*\*(0.000) | -0.387\*\*\*(0.000) | -0.031(0.765) | 0.158\*(0.138) | 0.082(0.433) | 0.003(0.971) | -0.002(0.986) | 0.232\*\*(0.031) | 0.086(0.438) |
| F value | 3.205 | 4.980 | 4.550 | 3.053 | 3.258 | 3.104 | 3.045 | 3.044 | 3.504 | 3.102 |
| Adjusted R2 | .246 | .371 | .345 | .233 | .251 | .238 | .232 | .232 | .271 | .237 |
| Durbin-Watson | 1.408 | 1.465 | 1.493 | 1.417 | 1.318 | 1.412 | 1.424 | 1.421 | 1.335 | 1.440 |
| N | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 |

Note: Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD).

* 1. Chapter summary

The empirical findings have been presented in this chapter but, specifically, the chapter had four major objectives. Firstly, the chapter presented descriptive statistics of the quantity of corporate voluntary disclosure and of the independent variables. Secondly, the chapter examined the assumptions of the multiple linear regression of normality multicollinearity, serial correlation, homogeneity of standard errors, and the linearity. In testing these assumptions, scatter plots, histograms, skewness and kurtosis, variance Inflation Factor, Breusch-Pagan; Durbin-Watson; and Cook’s distance were used. The assumptions were assumed to be reasonably acceptable, as no serious violations of the assumption were observed.

Thirdly, this chapter presented the empirical results of the quantity of corporate voluntary disclosure equations. The first equation examined the relationship between 14 firms and country levels factors and the quantity of corporate voluntary corporate disclosure. The equation showed that five of the independent variables had statistically significant relationships with the quality of voluntary corporate disclosure. The second equation investigated the association between country level variable factors and the quantity of corporate voluntary disclosure. The findings indicated that four of the independent variables may be statistically significant as a mean to predict the quantity of voluntary corporate disclosure.

Additionally, findings from the first and the second equations were compared in order to examine whether the determinants of corporate voluntary disclosure may have a similar impact on both the quality and quantity of corporate disclosure.

Fourthly, this chapter discussed the results of testing the robustness of the models used in this study. These tests involved checking the consistency of the results over time i.e. 2012 and 2011, and estimating the determinants of the subcategories of corporate voluntary disclosure. The results were similar over 2011 and 2012 and, hence, the findings are robust. Also, the findings from the re-estimation of the coefficients using the subcategories of corporate voluntary disclosure did not deviate greatly from the total corporate voluntary disclosure scores. Therefore, these tests suggest that the used regression models produced robust findings. The next chapter presents the empirical results for the Country Level Factors from the Quantity of Voluntary Corporate Voluntary Disclosure Model.

# Determinants of the Quality of Corporate Voluntary Disclosure in the Annual Reports

* 1. Introduction

Chapter five presented the determinants of the quantity of corporate voluntary disclosure in the annual reports. Both descriptive and empirical findings were revealed and the hypotheses were tested. This chapter presents the descriptive and multivariate regression results of the quality of corporate voluntary disclosure and its determinants.

This chapter is organised as follows. Section 6.1 presents descriptive statistics of the dependent variables in CVD disclosure by the sampled firms. Section 6.2 shows the descriptive statistics of the independent CVD disclosures by the sampled firms and section 6.3 presents the findings of the bivariate correlation and testing assumption of the multiple linear regression analysis. The empirical results of the quality of voluntary corporate disclosure model are presented in Section 6.4, while Section 6.5 discusses the robustness of the findings of firm level factors and the quality of voluntary disclosure. Section 6.6 shows the empirical results for the country level factors on the quantity of voluntary corporate voluntary disclosure model and, lastly, section 6.7 discusses the robustness of the findings regarding country level factors, and the quality of voluntary corporate disclosure.

* 1. Descriptive Statistics of the dependent variables in Corporate Voluntary Disclosure by the sampled firms

As shown in Table 17, below, the variables that constitute corporate voluntary disclosure are: general corporate information, corporate strategy, future prospects, information about directors, employees information, financial review, stock price information, costumer and supplier disclosure, social policy, and value added information. As the results revealed, the information that was disclosed by many firms, and of high quality, was stock price information, with an overall average of 60%. There was an increase from 60% in 2011 to 63% in 2012, with a minimum of disclosure of items without details and a maximum disclosure of items and detailed comparison. Social policy and value added information continued to score lower, as in the quantitative descriptive data. For quality, an average of 31% of the firms disclosed only items and no details. In addition, the percentage of firms fell from 33% in 2011 to 32% in 2012.

With the exceptions of the stock price information, social policy and value added information, the remainder of the variables, the general corporate information, corporate strategy, future prospects, information about directors, employee information, financial review and costumer and supplier disclosure, all increased from 2011 to 2012. Table 17, below, also signifies that most of the firms disclosed to the maximum, only the items without details, while others did not disclose the items completely for general corporate information, corporate strategy, future prospects, information about directors, employees information, financial review, stock price information, costumer and supplier disclosure, social policy and value added information. Including the descriptive analysis per country was considered, but that not part of research objectives, while country dummies showed that the country differences were not significant.

Table 17: Descriptive statistics of the dependent Variables

(N=596 for overall; N=298 for 2011 and 2012 respectively)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| General corporate information | | | |  | Corporate strategy | | |  | Future prospects | | |  | Information about directors | | |  | Employee information | | |
|  | All | 2011 | 2012 | All | 2011 | 2012 | All | 2011 | 2012 | All | 2011 | 2012 | All | 2011 | 2012 |
| Mean | 0.43 | 0.42 | 0.43 | 0.47 | 0.47 | 0.49 | 0.52 | 0.52 | 0.53 | 0.42 | 0.42 | 0.43 | 0.33 | 0.33 | 0.34 |
| Median | 0.47 | 0.47 | 0.47 | 0.48 | 0.48 | 0.48 | 0.58 | 0.58 | 0.58 | 0.42 | 0.42 | 0.42 | 0.33 | 0.33 | 0.33 |
| SD | 0.206 | 0.206 | 0.214 | 0.254 | 0.256 | 0.308 | 0.27 | 0.272 | 0.318 | 0.185 | 0.186 | 0.198 | 0.176 | 0.177 | 0.236 |
| Min | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Max | 1 | 1 | 1 | 1 | 1 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Social policy and value-added information | | | | Stock price information | | | Customer and supplier disclosure | | | Overall Corporate Voluntary | | |
| Mean | 0.31 | 0.33 | 0.32 | 0.6 | 0.6 | 0.63 | 0.34 | 0.34 | 0.36 | 0.41 | 0.41 | 0.47 |
| Median | 0.33 | 0.33 | 0.33 | 0.67 | 0.67 | 0.67 | 0.33 | 0.33 | 0.33 | 0.43 | 0.43 | 0.43 |
| SD | 0.184 | 0.185 | 0.199 | 0.31 | 0.307 | 0.41 | 0.22 | 0.219 | 0.279 | 0.154 | 0.156 | 0.463 |
| Min | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Max | 1 | 1 | 1 | 1 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 3 |

* 1. Descriptive Statistics of the independent variables of corporate voluntary disclosures by the sampled firms

These results were the same as reported in the Chapter 5,section 5.2, as there was no change in the independent variables. Therefore, the discussion is not repeated in this section.

* 1. Bivariate Correlation and OLS Assumptions

As discussed in Chapter three, the relationships between corporate voluntary disclosure, country and firm variables were examined using multivariate regression, namely, Ordinary Least Regression (OLS), as used in many studies, such as Haniffa and Hudaib, (2006) and Ntim and Soobaroyen (2013). Thus, the assumptions of the regression model were tested, including normality, multicollinearity, autocorrelation, heteroscedasticity and linearity.

An assumption of normality is achieved when continuous variables are normally distributed. It can be tested using histograms, and skewness and kurtosis tests. Largely, most of these variables were generally in line with the normality assumptions. Specifically, observation of the histograms showed that the variables were normally distributed. The skewness and kurtosis tests confirmed that the continuous variables were approximately normally distributed. A perfect symmetrical curve (normal shape) happens when the skewness value is zero. Moreover, the assumption of normality is assumed to be met when the sample size is more than 100. Thus, the sample size of this study of 596 reduced any possibility of non-normally of variables.

Furthermore, Appendix 2 shows the correlation matrix of all independent, dependent and control variables of the quality of corporate voluntary disclosure. The correlation test is usually used to test the significance and direction of the linear relationship between two variables. As shown in the Appendix 2, both parametric (Pearson correlation coefficients) and non-parametric (Spearman correlation coefficients) coefficients did not differ very much, implying absence of a non-normality problem (Ntim and Soobaroyen, 2013). Also, most of the coefficients were low, suggesting that a multicollinearity problem may be absent, as the correlation coefficients were below 0.5 (Dam and Scholtens, 2012).

Thereafter, the heteroscedasticity problem was examined using the Breusch-Pagan test, which showed that variance of the error terms was constant, as all values of the test were non-significant. The existence of a heteroscedastic problem may provide misleading standard errors.

Finally, consistent with Haniffa and Hudaib (2006), the linearity assumption was tested using Cook’s distance tests; these tests assume that the assumption is met when the values is below 1 (Pryce, 2005; Maddala and Lahiri, 2009), suggesting satisfaction of the of linearity assumption between variables in the regression models.

In conclusion, diagnostic tests were conducted to test the assumption of normality, linearity, multicollinearity, heteroscedasticity and autocorrelation. The results from these tests suggested fulfilment of almost all of these assumptions and then two regression models were used to examine how firm level and country level factors relate to both the quantity and quality of corporate voluntary disclosure.

* 1. Empirical Results of the Firm Level Factors for the Quality of Voluntary Corporate Voluntary Disclosure Model

Multiple regression analysis was employed to test the influence of the firm level variables and country level variables on the quality of corporate voluntary disclosure. The results of the regression indicated that, in totality, the independent variables explained 27.5% of the variance in the level of quality of corporate voluntary disclosure (R2 =.275, F (17, 217) =10.182, p = 000). Similarly, studies of corporate voluntary disclosure in developing countries showed similar ‘goodness of fit’ tests, as in the adjusted R2 of 39.5% of Collins and Soobaroyen from South Africa, the adjusted R2 of 53% of Barako *et al.,* (2006) from Kenya, the and adjusted R2 of 45% from South Africa.

The strongest predictors were the percentages for Corporate Growth Rate (β = .290) and Audited by Big 4 (β = .273) followed by Industry Diversity (β = -.202), Profitability level (β = .145) liquidity level (β = .138) and diffused share ownership (β = -.087) (see Table 19, below).

As explained previously, the second regression model examined how the quality of voluntary corporate disclosure related to both firm and country level factors amongst 10 countries. Specifically, the second research objective aimed to examine how firm factors related to the quality of voluntary corporate disclosure. In this model, there were six corporate governance independent variables, two ownership independent variables, two countries dummies, and four control variables. In addition, the corporate voluntary disclosure index constructed and explained in Chapter three measured the quality of corporate voluntary disclosure.

The summary of the tested hypotheses, together with findings from the regression analysis, are presented in Table 18 below.

Table 18: A summary of all of the hypotheses and findings for the quality of voluntary corporate disclosure as dependent variables

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Explanatory Variable | No.  Hypothesis | Expected sign | Findings sign | Findings significance | Hypothesis status |
| Control Variables | | | | | |
| CS | 1 | + | - | non-significant | Rejected |
| CGR | 2 | + | + | Significant at the 1% level | Accepted |
| MUL | 3 | + | + | non-significant | Rejected |
| LVL | 4 | - | - | non-significant | Rejected |
| LQL | 5 | - | + | Significant at the 5% level | Rejected |
| PL | 6 | + | + | Significant at the 5% level | Accepted |
| ID | 7 | + | - | Significant at the 1% level | Rejected |
| IS | 8 | + | + | non-significant | Accepted |
| 4F | 9 | + | + | Significance at the 1% level | Accepted |
| Ownership Variable | | | | | |
| SD | 10 | + | - | Significant at the 10% level | Rejected |
| SI | 11 | + | - | non-significant | Rejected |
| Corporate governance | | | | | |
| PACF | 12 | + | + | non-significant | Rejected |
| PBDF | 13 | + | + | non-significant | Rejected |
| PIBD | 14 | + | - | non-significant | Rejected |
| DBD | 15 | + | - | non-significant | Rejected |

Note: Corporate Voluntary Disclosure (CVD) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD).

In Hypothesis 2, it was stated that the firm’s growth rate is positively related to the corporate voluntary disclosure in the annual reports*.* The findings of this study revealed that there was a positive significant relationship between a firm’s growth rate and the quality of corporate voluntary disclosure, as the coefficient of the corporate growth rate does support this (β = .290, p = .000); hence, the hypothesis was supported. These findings were consistent with Resource Dependence Theory, which suggests that in seeking to exploit available opportunities to ensure growth, firms will demand more funds to achieve organizational goals (Wang and Claiborne, 2008; Lopes and de Alencar, 2010). Providers of funds might require companies in need of finance to extend disclosure of a firm’s activities and performance (Hyytinen and Pajarinen, 2005; Khurana *et al.,* 2006; Naser *et al.,* 2006).

With regard to the empirical literature, these findings are consistent with previous studies that suggest the existence of a positive relationship between corporate growth and corporate voluntary disclosure in the annual reports. As suggested by McGuire et al. (1988), improvements in corporate voluntary disclosure reflects corporate growth rate and Singhvi and Desai (1971), who maintain that managers achieving higher growth rates may decide to disclose more information in the organization’s annual report to signal their achievements. Another previous study that shows a positive relationship between corporate growth and corporate voluntary disclosure in annual reports is by Davis and Tama-Sweet (2012), who suggest that firms that do not need more funds will disclose less voluntary information.

In Hypothesis 1, it was stated that there is positive relationship between firm size and corporate voluntary disclosure. As Table 18, above, indicates, the findings of this study indicated a negative non-significant relationship between the two variables (β = .022, p = .728). Also, it was expected in Hypothesis 3, that firms with multiple listings voluntarily disclosed more and higher quality information than those with a single listing. The results showed that there was a positive but non-significant relationship between the multiple listings of firms and corporate voluntary disclosure (β = .066, p= .319), which signifies that there was no relationship between multiple listings and corporate voluntary disclosure, leading to rejection of the hypothesis.

Empirically, these study findings are inconsistent with previous studies. For example, Belkaoui (2001) and Dong and Stettler (2011) found that firms with multiple listings provided more information voluntarily than those without multiple listings. Other study, conducted by Wang and Claiborne (2008), found that foreign ownership increased with the extent of corporate voluntary disclosure, and Archambault (2003) found that foreign sales increased with the extent of corporate voluntary disclosure. Archambault and Archambault (2003) also found that the firms that needed to increase capital through foreign markets had to disclose more corporate information and, hence, had multiple listings. Furthermore, these results are inconsistent with agency theory, which suggests that firms with multiple listings have a large shareholder base in which corporate voluntary disclosure helps them to reduce information asymmetry (Riahi-Belkaoui, 2001).

In addition, Hypothesis 5 expected that firms operating in sensitive industries disclosed voluntarily more and better quality information than those operating in non-sensitive industries. However, the findings suggested that the disclosure of corporate voluntary information by firms operating in both sensitive and non-sensitive industries had nothing to do with the quality of the corporate voluntary information disclosed (β = .001, p = .988) as an non-significant relationship existed between them. These findings are not consistent with resource dependency theory, as the theory suggests that firms operating in sensitive industries have to disclose more information to legitimize their activities, because of environmental and shareholders concerns (Craswell and Taylor, 1992; Meek *et al.,* 1995; Peters and Romi, 2013). In addition to these findings being inconsistent with resource dependency theory, they also are inconsistent with previous studies which revealed that firms operating in sensitive industries disclose more and better quality corporate voluntary disclosure. For example, Brammer and Pavelin (2008) found that corporations operating in the environment industries, such as the chemical industry, were more likely to disclose a higher quality of corporate voluntary disclosure than those not operating in environmentally sensitive industries, such as services.

Hypothesis 09 was expected to indicate that there was a positive relationship between corporations audited by the big 4 firms and the quality of corporate voluntary disclosure. The findings revealed that corporations audited by the big 4 audit firms exceeded the quality of corporate voluntary disclosure by 27.3% higher than those of corporations audited by non-big 4 audit firms when the other variables were constant, as the coefficient of the big 4 audit firms was positive and highly significant (β = .273, p = 0.000). These results led to acceptance of the hypothesis, that corporations audited by the big 4 audit firms voluntarily disclosed more and higher quality information in the annual reports than those audited by non-big 4 audit firms.

Previous studies, such as Wang and Claiborne (2008), have found that large audit firms are associated with more corporate disclosure. Archambault and Archambault (2003) supposed that larger audit firms would encourage more corporate voluntary disclosure, in order to increase a corporation’s credibility. Similarly, Craswell and Taylor (1992) found a significant association between external auditor size and the extent of corporate voluntary disclosure in New Zealand, and Archambault and Archambault (2003) found a positive link between the sizes of audit firms. Also, Choi and Wong (2007) revealed that firms using large audit firms were likely to have good corporate governance, linking back to the Audit Committee, which is part of corporate governance.

These results are consistent with both the theories and previous studies. According to agency theory, in order for the corporation to reduce agency costs, it has to disclose sufficient information to shareholders.

However, there are also previous studies which are inconsistent with these results, as a non-significant relationship between corporate voluntary disclosure and size of external audit firms has also been reported (Wallace *et al.,* 1994; Ahmed and Courtis, 1999; Barako *et al.,* 2006).

In Hypothesis 10, it was expected that there would be a negative relationship between share diffusion and the quality of corporate voluntary disclosure. The findings of this study revealed that there was a significant negative relationship between share diffusion and corporate voluntary disclosure (β = .087, p = 0.166), signifying that each additional share diffusion was associated with an increase of 8.7 % in the quality of corporate voluntary disclosure, when other variables are constant. Hence hypothesis 10 was accepted.

Empirically, these results are consistent with previous studies. For example, it has been found that the higher the shares’ ownership diffusion (i.e. many shareholders with smallholdings), the lower the corporate voluntary disclosure (Hossain *et al.,* 1994; Haniffa and Cooke, 2002; Barako *et al.,* 2006). Zeckhauser and Pound (1990) argued that small shares’ holdings reduced the power of shareholders to demand more corporate disclosure. However, Archambault and Archambault (2003) suggested that firms owned by external shareholders who cannot access private information disclose more information in their financial statements. Correspondingly, Hossain *et al.,* (1994) and Haniffa and Cooke, (2002) found that the higher the shares’ ownership diffusion (i.e. many shareholders with smallholdings), the lower the corporate voluntary disclosure. Also, according to resource dependency theory, firms with concentrated share ownership increased the power of shareholders to demand more corporate disclosure.

In hypothesis 11, it was expected that there would be a positive relationship between institutional ownership measured by the percentage of shares owned by institutional investors and the quality of corporate voluntary disclosure. The findings of the study showed that there was a negative and highly non-significant relationship between the percentage of shares owned by institutional shareholders and the quality of corporate voluntary disclosure in the annual reports (β = .041, p = .530), which was not as expected. This result led to rejection of Hypothesis 11, and signified that institutional share ownership in a corporation had nothing to do with corporate voluntary disclosure. These results are inconsistent with agency theory, which suggests that corporate voluntary disclosure is used as a way of regulating any perceived agency conflict of interest.

On the empirical side, these results are in contradiction with what previous studies have revealed, namely, that firms with high institutional shareholdings have been found to provide more information voluntarily in their annual reports than those with, or without, low institutional shareholdings (Carson and Simnett, 1997; Bushee and Noe, 2000; Barako *et al.,* 2006; Wang and Claiborne, 2008). Also, Wang and Claiborne (2008) found that government ownership, and foreign ownership increased with the extent of corporate voluntary disclosure. These results may be attributed to the tendency of large ownership by institutional investors, such as governments and pension funds, to have good governance structures to protect their interests, and that institutional investors who may have the power to exert pressure on management to increase information disclosure (Jensen and Meckling, 1979). It may be that institutional investors work differently in the context of developing countries from developing countries.

Hypothesis 13 suggested that the percentage of independent board members was positively related to firms’ voluntary disclosure in their annual reports. This study found that there was a negative and non-significant relationship between the number of independent board members and corporate voluntary disclosure in the annual reports (β = -.031, P = .636). There was no relationship between the percentage of independent board members and corporate voluntary disclosure, and any change in proportion of independent board members did not change the quality of voluntary corporate disclosure.

These results were inconsistent with the previous findings, which found that the proportion of independent directors on the board of directors had a positive association with corporate voluntary disclosure (Forker, 1992; Chen and Jaggi, 2001; Ho and Shun Wong, 2001). Furthermore, Cheng and Courtenay (2006) discovered that the number of independent board members was positively related to the quality of corporate voluntary disclosure in the Singapore companies. The results support the claims of resource dependency theory that suggests that an independent board of directors may increase corporate voluntary disclosure as ways of improving corporate governance (Jensen and Meckling, 1976) and reducing information asymmetry (La Porta *et al*., 2002). Furthermore, Clarke (2006) argued that when the number of independent members on the board of directors was a good representation of other stakeholders, then the directors may increase the transparency of corporations.

Also, the findings contradicted the findings of Eng and Mak (2003) and Barako *et al.,* (2006) who reported a negative relationship between the number of non-executive board members and corporate voluntary disclosure. The presence of independent board members may reduce the need to disclose more information, as the members are assumed to represent the interests of the external stakeholders (Eng and Mak, 2003). Also, the lack of independence of some non-executive directors might be the causes of a negative relationship between the number of independent board members and the firm voluntary disclosure (Barako *et al.,* 2006).

In hypothesis 12 examined the relationship between the percentage of the board of directors with financial expertise and the quality of corporate voluntary disclosure. The results showed that there was a positive non-significant relationship between the proportion of the board of directors with financial expertise and corporate voluntary disclosure (β = -.027, p =. 648), which was against Hypothesis 12. These results are consistent with previous empirical studies. For example, Haniffa and Cooke (2002) found non-significant relationship between the board of directors’ educational levels and the extent of corporate voluntary disclosure. However, there are other empirical studies revealing inconsistent results with this study, for example, Cooke (2002) and Dey (2008) proposed that board members with business education might push for higher disclosure because of their understanding of financial information.

Also, results that were inconsistent with what was expected were found for Hypothesis 15, that the separation between the chairperson of the board of directors and the CEO would be highly positively related to a firm’s voluntary disclosure in the annual reports (β = -.028, p =. 639). The results showed, by keeping other variables constant, that corporations with dual leadership had the same quality of disclosure as corporations with chairperson who is not the CEO. The result was inconsistent with the results of Forker (1992), and Allegrini and Greco (2013). They found that the separation between chair and CEO increased the extent of corporate voluntary disclosure. However, Ho and Shun Wong (2001) reported a lack of a relationship between the extent of corporate voluntary disclosure and board leadership style. However, these authors suggested that CEO in Hong Kong are sometimes major shareholders; therefore, the board leadership style may not matter, in the absence of separation of ownership and control. In addition, Cheng and Courtenay (2006) discovered that CEO duality was not positively related to the quality of corporate voluntary disclosure in the Singapore companies. Also, Lam and Lee (2008) discovered that dual roles operated well in non-family businesses in Hong Kong.

However, this is against the argument that the separation of these two jobs improves corporate governance practices, as it strengthens the check and balance within a corporation (Fama and Jensen, 1983), but in emerging economies, this may be different.

It was hypothesized in Hypothesis 5, that firms having higher liquidity levels tended to disclose less and poorer corporate information. It was found that the liquidity level of the company and corporate voluntary disclosure had a positive and significant relationship (β = -.138, p =. 037) and, hence, the hypothesis was rejected. These findings are inconsistent with some previous findings, which found that firms with inadequate liquidity may provide more information explaining their survival strategies than those with higher, adequate liquidity (Wallace *et al.,* 1994), maybe to reduce agency costs caused by concern over insolvency. However, other studies have found non-significant relationship between liquidity level and corporate voluntary disclosure level (Belkaoui and Kahl, 1978;

The coefficient of profit level in Table 19, below, revealed that there was a positive and significant relationship between a company’s profit level and the quality of corporate voluntary disclosures in the annual reports, as was expected by Hypothesis 6 (β = .145, p=.017). This suggests that, as the Profitability level is increased by 1% in an organization, voluntary corporate disclosure will increase by 14.5%. These findings are consistent with previous studies, which found that high profit generally indicates good performance. Thus, firms with high profits may provide brief explanations of their results, which may result in higher levels of corporate voluntary disclosure, especially, when the higher profit is accompanied by a dividends payout (Singhvi and Desai, 1971; Inchausti, 1997; Wang and Claiborne, 2008; Broberg *et al.,* 2010). For instance, Wang and Claiborne (2008) found that the Profitability indicated by the return on equity increased the extent of corporate voluntary disclosure. Also, Wang and Claiborne (2008) and Naser *et al.,* (2006) found that the Profitability indicated by the return on equity increased the extent of corporate voluntary disclosure. The provided information may fulfill management’s custodial responsibility and reduce any conflict of interests between managers and funder providers.

In Hypothesis 4 it was hypothesized that firms with higher corporate leverage disclosed voluntarily more corporate information. The findings of this study found corporate leverage level to have a negative and non-significant relationship with the quality of corporate voluntary disclosure (β = -.052, p=.430). These findings are inconsistent with what previous studies have found, which was that corporate voluntary disclosure increased with leverage levels (Naser, 1998; Ahmed and Courtis, 1999; Barako *et al.,* 2006; Naser *et al.,* 2006). However, debt providers may gain internal information about firms’ performances, which may reduce their dependence on disclosure in financial statements (Zarzeski, 1996). Consequently, corporate voluntary disclosure might decrease with an increase in leverage level.

These findings were also inconsistent with resource dependency theory, which postulates that firms with higher leverage levels may voluntarily provide more information, to decrease their perceived risk levels.

Previously, it was hypothesized in Hypothesis 8 that the corporate voluntary disclosure in annual reports increases with the number of industries in which a corporation operates, while this study has revealed that a firm’s industrial diversity had a negative significant relationship with corporate voluntary disclosure (β = .115, p=.063) and, hence, the hypothesis was rejected. These findings are inconsistent with what Zarzeski (1996) suggested, that corporate voluntary disclosure might increase with the number of industries in which corporations operate. Wallace and Naser (1996) and Haniffa and Cooke (2002) also indicated that an increase in the number of industries in which corporations operate increases corporate voluntary disclosure. Also, the findings of this study is similar to the results of Chau and Gray (2002), who found that diversification decreased the cost of disclosure and, hence, with more diversification, corporate voluntary disclosure decreases.

Table 19: OLS regression findings of all firm levels Overall and individual country level (CVD OVERALL) Quality overall

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | |
| Idep. Variables | Overall CVD  *Quality* firm level and individualism | Overall CVD  *Quality* firm level uncertainty avoidance | Overall CVD  *Quality* firm level and legal system | Overall CVD  *Quality* firm level importance of religion | Overall CVD  *Quality* firm level and economy development | Overall CVD  *Quality* firm level press freedom | Overall CVD  *Quality* firm level corruption | Overall CVD  *Quality* firm level professionalism | Overall CVD  *Quality* firm level and tertiary education | Overall CVD  *Quality* firm level politics freedom |
| CS | -0.022 (0.728) | 0.217\*\*\*(0.002) | 0.176\*\*\*(0.009) | 0.185\*\*(0.016) | 0.164\*\*(0.029) | 0.19\*\*\*(0.009) | 0.19\*\*(0.012) | 0.183\*\*\*(0.008) | 0.145\*\*(0.046) | 0.221\*\*\*(0.002) |
| CGR | 0.29\*\*\* (0.000) | -0.057(0.388) | -0.02(0.764) | -0.056(0.421) | -0.042(0.541) | -0.04(0.569) | -0.055(0.43) | -0.088\*(0.187) | -0.038(0.576) | -0.044(0.523) |
| PL | 0.145\*\* (0.017) | -0.232\*\*\*(0.003) | -0.218\*\*\*(0.006) | -0.274\*\*\*(0.001) | -0.27\*\*\*(0.001) | -0.278\*\*\*(0.001) | -0.277\*\*\*(0.001) | -0.13\*(0.135) | -0.205\*\*(0.015) | -0.284\*\*\*(0.001) |
| LVL | -0.052 (0.43) | -0.197\*\*(0.013) | -0.245\*\*\*(0.001) | -0.29\*\*\*(0.000) | -0.313\*\*\*(0.000) | -0.314\*\*\*(0.000) | -0.297\*\*\*(0.000) | -0.167\*\*(0.043) | -0.302\*\*\*(0.000) | -0.326\*\*\*(0.000) |
| LQL | 0.138\*\* (0.037) | -0.017(0.8) | -0.019(0.778) | -0.001(0.994) | 0.002(0.981) | -0.003(0.965) | 0.001(0.99) | 0.043(0.541) | 0.029(0.682) | 0.011(0.882) |
| SI | -0.041 (0.53) | -0.024(0.723) | -0.018(0.787) | -0.033(0.641) | -0.048(0.5) | -0.028(0.692) | -0.037(0.599) | 0.035(0.616) | 0.011(0.87) | -0.045(0.526) |
| SD | -0.087\* (0.166) | 0.059(0.382) | 0.019(0.783) | 0.137\*\*(0.056) | 0.14\*\*(0.045) | 0.1\*(0.164) | 0.138\*\*(0.058) | 0.134\*\*(0.044) | 0.069(0.323) | 0.155\*\*(0.033) |
| IS | 0.001 (0.988) | -0.082(0.294) | -0.242\*\*\*(0.001) | -0.225\*\*\*(0.005) | -0.277\*\*\*(0.001) | -0.271\*\*\*(0.003) | -0.226\*\*\*(0.005) | -0.165\*\*(0.024) | -0.315\*\*\*(0.000) | -0.214\*\*\*(0.005) |
| ID | -0.202\*\*\* (0.002) | 0.074(0.304) | 0.073(0.303) | 0.001(0.993) | -0.008(0.915) | -0.003(0.964) | -0.006(0.937) | 0.048(0.495) | -0.002(0.981) | -0.023(0.758) |
| MUL | 0.066 (0.319) | 0.091\*(0.17) | 0.06(0.365) | 0.103\*(0.14) | 0.132\*\*(0.06) | 0.097\*(0.166) | 0.118\*\*(0.093) | 0.067(0.316) | 0.084(0.209) | 0.135\*\*(0.058) |
| 4F | 0.273\*\*\* (0.000) | 0.102\*(0.137) | 0.121\*\*(0.076) | 0.077(0.305) | 0.083(0.248) | 0.097\*(0.176) | 0.08(0.289) | -0.006(0.939) | 0.074(0.309) | 0.114\*(0.118) |
| DUL | -0.028 (0.639) | 0.019(0.769) | 0.001(0.989) | 0.053(0.432) | 0.044(0.517) | 0.046(0.491) | 0.053(0.433) | 0.058(0.372) | 0.046(0.496) | 0.036(0.591) |
| PABD | 0.026 (0.691) | -0.173\*\*(0.013) | -0.197\*\*\*(0.004) | -0.203\*\*\*(0.005) | -0.209\*\*\*(0.004) | -0.213\*\*\*(0.004) | -0.204\*\*\*(0.005) | -0.187\*\*\*(0.007) | -0.211\*\*\*(0.004) | -0.204\*\*\*(0.005) |
| PIBD | -0.031 (0.636) | 0.078(0.31) | 0.113\*(0.125) | 0.185\*\*(0.016) | 0.207\*\*\*(0.007) | 0.202\*\*\*(0.008) | 0.194\*\*(0.011) | 0.074(0.341) | 0.174\*\*(0.021) | 0.225\*\*\*(0.004) |
| PBDF | 0.074 (0.252) | -0.258\*\*\*(0.000) | -0.189\*\*\*(0.009) | -0.311\*\*\*(0.000) | -0.286\*\*\*(0.000) | -0.277\*\*\*(0.000) | -0.309\*\*\*(0.000) | -0.297\*\*\*(0.000) | -0.22\*\*\*(0.003) | -0.272\*\*\*(0.000) |
| Dummy 2011 | Does not include | 0.011(0.86) | 0.002(0.978) | 0.009(0.894) | 0.006(0.921) | 0.004(0.946) | 0.009(0.896) | 0.017(0.781) | 0.005(0.934) | 0.008(0.908) |
| Ins/Cont | -0.103\* (0.107) | -0.367\*\*\*(0.000) | -0.329\*\*\*(0.000) | -0.067(0.423) | 0.153\*\*(0.09) | 0.119(0.217) | -0.061(0.481) | -0.351\*\*\*(0.000) | 0.264\*\*\*(0.002) | 0.125\*(0.14) |
| *F* value | 6.156 | 7.291 | 7.599 | 5.767 | 5.986 | 5.854 | 5.753 | 7.204 | 6.258 | 5.918 |
| Adjusted *R2* | .275 | .392 | .403 | .328 | .338 | .332 | .327 | .389 | .356 | .335 |
| *Durbin-Watson* | .848 | .900 | .928 | .936 | .948 | .947 | .936 | .976 | .964 | .944 |
| *N* | 596 | 596 | 596 | 596 | 596 | 596 | 596 | 596 | 596 | 596 |

Note: Corporate Voluntary Disclosure (CVD) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion of Board of Directors with Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD)

* 1. Robustness of the Findings for Firm Level Factors and the Quality of Voluntary Disclosure

This section presents the sensitivity analysis, to check the robustness of the findings from both the country and firm level models. As was done previously, two tests were employed in this analysis, namely, testing whether the results were unaffected by time, and checking whether the results changed with proxy measures for the quality of corporate voluntary disclosure.

Yearly regressions analyses were run to examine how the results of the firm levels models changed over time: models for 2011 and other models for 2012. These results are shown in Table 20 and Table 21, below. To ease comparison, results from the pooled regression of the firm variables have been presented in the first column of both tables and it can be seen that they were almost similar. Even the statistical power of the models is qualitatively similar, indicating that the results are robust.

Likewise, an examination of the sensitivity of the results with a sub-index for the quality of voluntary disclosure was carried out and their results are show in Table 20 and Table 21, below, after the first columns of the tables. As can be seen from those tables, the significances and signs of the coefficients were almost maintained, as very few coefficients changed their signs and significance levels across all sub-categories of the quality of voluntary disclosure.

For instance, the coefficients of the size of audit firms (4F) was positive and significant through pooled data (β = .273, P = .000); in 2011 (β = .273, P = .008); and in 2012 (β = .278, P = .004). Also, the coefficients of the percentage of independent board of directors (PBID) were negative and significant in 2011 (β = -.201, P = .034) and in 2012 (β = -.339, P = .000), but it was negative yet insignificant in the pooled data (β = -.031, P = .636). Moreover, the coefficients of the Industry Diversity (ID) were negative through all sets of data, but only significant in the pooled data (β = -.202, P = .002).

Table 20: OLS regression findings for (CVD OVERALL) all firm levels Overall and individual country level Quality 2011

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Idep. Variables | Overall CVD  *Quality 2011* firm level and individualism | Overall CVD  *Quality 2011* firm level uncertainty avoidance | Overall CVD  *Quality* firm level and legal system | Overall CVD  *Quality* *2011* firm level importance of religion | Overall CVD  *Quality* *2011* firm level and economy development | Overall CVD  *Quality* *2011* firm level press freedom | Overall CVD  *Quality* *2011* firm level corruption | Overall CVD  *Quality* *2011* firm level professionalism | Overall CVD  *Quality* *2011* firm level and tertiary education | Overall CVD  *Quality* *2011* firm level politics freedom |
| MUL | 0.129\*(0.194) | 0.086(0.348) | 0.091(0.342) | 0.146\*(0.144) | 0.171\*\*(0.082) | 0.152\*(0.125) | 0.168\*\*(0.089) | 0.145\*(0.141) | 0.147\*(0.126) | 0.151\*(0.15) |
| CS | 0.071(0.466) | 0.032(0.719) | -0.039(0.703) | 0.069(0.498) | 0.027(0.791) | 0.086(0.41) | 0.07(0.468) | 0.099(0.317) | 0.002(0.988) | 0.079(0.426) |
| LQL | -0.072(0.469) | 0.001(0.994) | -0.041(0.665) | -0.06(0.544) | -0.058(0.558) | -0.058(0.564) | -0.063(0.52) | -0.067(0.502) | -0.09(0.358) | -0.062(0.537) |
| ID | -0.027(0.783) | 0.029(0.747) | -0.002(0.987) | -0.02(0.838) | -0.038(0.692) | -0.017(0.864) | -0.038(0.696) | -0.012(0.9) | -0.046(0.632) | -0.02(0.842) |
| CGR | 0.037(0.683) | 0.056(0.505) | 0.058(0.515) | 0.035(0.707) | 0.03(0.742) | 0.037(0.689) | 0.011(0.909) | 0.019(0.835) | 0.006(0.945) | 0.036(0.691) |
| LVL | -0.049(0.62) | -0.01(0.909) | 0.004(0.967) | -0.027(0.788) | -0.007(0.941) | -0.029(0.766) | -0.023(0.811) | -0.035(0.722) | -0.02(0.833) | -0.029(0.766) |
| PRL | 0.049(0.623) | 0.027(0.771) | 0.05(0.598) | 0.064(0.523) | 0.067(0.494) | 0.066(0.504) | 0.066(0.5) | 0.068(0.49) | 0.058(0.548) | 0.065(0.511) |
| SD | 0.066(0.515) | -0.05(0.609) | -0.031(0.765) | 0.075(0.477) | 0.08(0.427) | 0.069(0.499) | 0.103(0.32) | 0.077(0.45) | 0.049(0.624) | 0.069(0.525) |
| SI | 0.244\*\*(0.016) | 0.183\*\*(0.053) | 0.214\*\*(0.029) | 0.259\*\*(0.011) | 0.226\*\*(0.027) | 0.26\*\*(0.011) | 0.249\*\*(0.013) | 0.293\*\*\*(0.006) | 0.256\*\*(0.01) | 0.261\*\*(0.01) |
| PABD | -0.073(0.44) | -0.077(0.376) | -0.068(0.458) | -0.077(0.418) | -0.072(0.44) | -0.079(0.406) | -0.07(0.455) | -0.07(0.461) | -0.047(0.614) | -0.077(0.417) |
| PBDF | -0.002(0.983) | -0.059(0.514) | 0(1) | 0.003(0.975) | 0.028(0.773) | 0.002(0.98) | 0.001(0.99) | -0.021(0.833) | -0.005(0.959) | 0.005(0.959) |
| PIBD | -0.201\*\*(0.034) | -0.22\*\*(0.011) | -0.199\*\*(0.028) | -0.228\*\*(0.018) | -0.209\*\*(0.025) | -0.228\*\*(0.021) | -0.207\*\*(0.027) | -0.193\*\*(0.048) | -0.123(0.222) | -0.22\*\*(0.032) |
| DUL | 0.166(0.068) | 0.127\*(0.135) | 0.138\*(0.119) | 0.175\*\*(0.059) | 0.161\*\*(0.075) | 0.172\*\*(0.061) | 0.177\*\*(0.052) | 0.171\*\*(0.061) | 0.151\*\*(0.092) | 0.171\*\*(0.068) |
| ID | -0.061(0.527) | 0.004(0.964) | -0.044(0.633) | -0.06(0.534) | -0.073(0.444) | -0.055(0.573) | -0.079(0.413) | -0.058(0.545) | -0.096(0.317) | -0.058(0.549) |
| 4F | 0.273\*\*\*(0.006) | 0.17\*\*(0.071) | 0.222\*\*(0.022) | 0.262\*\*(0.01) | 0.241\*\*(0.016) | 0.261\*\*(0.01) | 0.245\*\*(0.014) | 0.258\*\*(0.01) | 0.271\*\*\*(0.006) | 0.265\*\*\*(0.009) |
| Country factors value | -0.113 (-0.368) | -0.414\*\*\*(0.000) | -0.298\*\*\*(0.005) | -0.031(0.776) | 0.167\*(0.112) | -0.022\*\* (-0.085) | -0.138\*(0.162) | -0.103(0.305) | 0.233\*\*(0.028) | 0.004(0.972) |
| *F* value | 2.632 | 4.044 | 3.247 | 2.509 | 2.733 | 2.506 | 2.680 | 2.597 | 2.951 | 2.502 |
| Adjusted *R2* | .195 | .311 | .250 | .183 | .204 | .182 | .199 | .191 | .224 | .182 |
| Durbin- Watson | 1.554 | 1.429 | 1.532 | 1.570 | 1.530 | 1.549 | 1.570 | 1.691 | 1.593 | 1.555 |
| *N* | 297 | 297 | 297 | 297 | 297 | 297 | 297 | 297 | 297 | 297 |

Note: Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion Of Board Of Directors With Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DUL).

Table 21: OLS regression findings for (CVD OVERALL) all firm levels Overall and individual country level Quality 2012

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Idep. Variables | Overall CVD  *Quality* firm level and individualism | Overall CVD  *Quality* firm level uncertainty avoidance | Overall CVD  *Quality* firm level and legal system | Overall CVD  *Quality* firm level importance of religion | Overall CVD  *Quality* firm level and economy development | Overall CVD  *Quality* firm level press freedom | Overall CVD  *Quality* firm level corruption | Overall CVD  *Quality* firm level professionalism | Overall CVD  *Quality* firm level and tertiary education | Overall CVD  *Quality* firm level politics freedom |
| CS | 0.092(0.322) | 0.064(0.467) | -0.01(0.92) | 0.069(0.48) | 0.044(0.653) | 0.114(0.254) | 0.085(0.359) | 0.105(0.266) | 0.06(0.547) | 0.083(0.377) |
| LQL | -0.038(0.689) | 0.013(0.886) | -0.044(0.628) | -0.041(0.663) | -0.061(0.52) | -0.026(0.785) | -0.046(0.627) | -0.034(0.723) | -0.056(0.564) | -0.03(0.75) |
| ID | -0.037(0.688) | -0.005(0.951) | -0.02(0.824) | -0.037(0.685) | -0.044(0.629) | -0.031(0.737) | -0.044(0.632) | -0.037(0.688) | -0.047(0.612) | -0.03(0.744) |
| MUL | 0.117(0.219) | 0.069(0.442) | 0.054(0.566) | 0.104(0.274) | 0.129(0.169) | 0.125(0.19) | 0.127(0.181) | 0.118(0.211) | 0.115(0.222) | 0.097(0.329) |
| SI | 0.288\*\*\*(0.003) | 0.228\*\* (0.012) | 0.25\*\*\*(0.007) | 0.283\*\*\*(0.003) | 0.25\*\*(0.01) | 0.282\*\*\*(0.003) | 0.277\*\*\*(0.004) | 0.311\*\*\*(0.002) | 0.283\*\*\*(0.003) | 0.285\*\*\*(0.003) |
| SD | 0.063(0.502) | -0.014(0.876) | -0.021(0.827) | 0.079(0.405) | 0.075(0.419) | 0.071(0.448) | 0.08(0.401) | 0.066(0.478) | 0.05(0.59) | 0.043(0.662) |
| PBDF | 0.01(0.916) | -0.056(0.52) | -0.007(0.937) | 0.006(0.945) | 0.026(0.776) | 0.003(0.973) | 0.01(0.914) | -0.004(0.966) | 0.008(0.933) | -0.002(0.979) |
| PIBD | -0.339\*\*\*(0.000) | -0.348\*\*\*(0.000) | -0.328\*\*\*(0.000) | -0.353\*\*\*(0.000) | -0.33\*\*\*(0.000) | -0.351\*\*\*(0.000) | -0.333\*\*\*(0.000) | -0.316\*\*\*(0.001) | -0.308\*\*\*(0.001) | -0.355\*\*\*(0.000) |
| CGR | -0.119\*(0.161) | -0.1(0.21) | -0.069(0.408) | -0.112\*(0.188) | -0.09(0.297) | -0.127\*(0.14) | -0.114\*(0.18) | -0.127\*(0.138) | -0.105(0.222) | -0.121\*(0.154) |
| LVL | -0.038(0.68) | -0.044(0.608) | -0.037(0.671) | -0.034(0.711) | -0.03(0.736) | -0.035(0.703) | -0.036(0.695) | -0.038(0.674) | -0.041(0.653) | -0.036(0.694) |
| 4F | 0.278\*\*\*(0.004) | 0.195\*\*(0.034) | 0.24\*\*(0.01) | 0.267\*\*\*(0.006) | 0.256\*\*\*(0.008) | 0.267\*\*\*(0.006) | 0.267\*\*\*(0.006) | 0.274\*\*\*(0.004) | 0.283\*\*\*(0.003) | 0.273\*\*\*(0.005) |
| IS | -0.002(0.978) | 0.04(0.636) | 0(1) | -0.009(0.921) | -0.021(0.814) | 0.007(0.942) | -0.015(0.868) | -0.001(0.988) | -0.02(0.826) | -0.004(0.963) |
| PABD | 0.003(0.972) | -0.011(0.891) | 0.013(0.883) | 0.007(0.935) | 0.012(0.887) | -0.005(0.955) | 0.009(0.916) | 0.009(0.919) | 0.019(0.835) | -0.002(0.979) |
| DUL | 0.139\*(0.108) | 0.104(0.204) | 0.115\*(0.171) | 0.149\*\*(0.088) | 0.136\*(0.114) | 0.138\*(0.112) | 0.146\*\*(0.093) | 0.141\*(0.104) | 0.141\*(0.104) | 0.144\*\*(0.098) |
| PL | 0.023(0.804) | -0.015(0.867) | 0.005(0.955) | 0.023(0.8) | 0.037(0.684) | 0.023(0.801) | 0.034(0.717) | 0.025(0.787) | 0.028(0.756) | 0.02(0.831) |
| Country factors value | 0.002(0.978) | -0.338\*\*\*(0.001) | -0.266\*\*\*(0.009) | -0.081(0.416) | 0.147\*(0.16) | -0.06(0.548) | -0.075(0.425) | -0.07(0.472) | 0.092(0.354) | -0.063(0.55) |
| *F* value | 3.521 | 4.799 | 4.251 | 3.589 | 3.724 | 3.558 | 3.586 | 3.574 | 3.609 | 3.553 |
| Adjusted *R2* | .274 | .362 | .327 | .279 | .289 | .277 | .279 | .278 | .281 | .277 |
| Durbin-Watson | 1.395 | 1.448 | 1.463 | 1.428 | 1.340 | 1.378 | 1.390 | 1.489 | 1.458 | 1.377 |
| *N* | 297 | 297 | 297 | 297 | 297 | 297 | 297 | 297 | 297 | 297 |

Note: Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited By Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members With Financial Experts (PACF), Proportion Of Board Of Directors With Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DUL).

* 1. Empirical Results of Country Level Factors on the Quality of Voluntary Corporate Voluntary Disclosure Model

This section examines the relationship between corporate voluntary disclosure and country level factors. As reported earlier, the aim of this section was to answer the research question number 2: How do country level factors influence the quantity and quality of voluntary disclosure in a given country? The variables investigated by this model were Legal systems (LEGSYS), Individualism (INDIVIDUAL), Uncertainty avoidance (UNAVOID), Economy development (Eco), Press freedom (PRESSFREE), Corruption (Corruption), Political freedom (POLIFREE), Tertiary Education (TEREDU), Professionalism (PROF ESS) and the Importance of Religion (RELIGION). A multiple regression analysis was used to test whether the country variables significantly predicted the quality of corporate voluntary disclosure. The results of the regression indicated that, in totality, the independent variables explained 38.7% of the variance in the level of quality of corporate voluntary disclosure (R2 =.387, F (7, 595) =52.97, p = 000). Similarly, studies of corporate voluntary disclosure in developing countries showed similar ‘goodness of fit’ tests, as shown by the adjusted R2 of 39.5% of Collins and Soobaroyen from South Africa, and the adjusted R2 of 45% from South Africa.

Table 22, below, shows a summary of the hypotheses developed to examine the relationship between country level factors and the quality of corporate voluntary disclosure. It was expected that individual national cultures, code laws, use of IFRS/IASs, economic development, and press development would be positively related to the quality of corporate voluntary disclosure. However, the results of this study showed political freedom and uncertainty avoidance culture were hypothesised to be positively associated with the quality of corporate voluntary disclosure.

Table 22: A summary of all of the hypotheses and findings for the quality voluntary corporate disclosure as a dependent variable and country level factors

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Explanatory Variable | No.  Hypothesis | Expected sign | Findings sign | Findings significance | Hypothesis status |
| LEGSYS | 01 | + | - | Significant at the 1% level | Rejected |
| INDIVIDUAL | 03 | + | - | Significant at the 10% level | Rejected |
| UNAVOID | 04 | - | - | Significant at the 1% level | Accepted |
| ECO | 07 | + | + | Significance at the 5% level | Accepted |
| PRESSFREE | 08 | + | + | non-significant | Rejected |
| CORRUPTION | 09 | - | - | non-significant | Rejected |
| POLIFREE | 10 | - | + | Significant at the 10% level | Rejected |
| TEREDU | 05 | + | + | Significant at the 1% level | Accepted |
| PROF ESS | 02 | + | - | Significant at the 1% level | Rejected |
| RELIGION | 06 | + | - | non-significant | Rejected |

Note: Legal system (LEGSYS), Individualism (INDIVIDUAL), Uncertainty Avoidance (UNAVOID), Economy development (Eco), Press freedom (PRESSFREE), Corruption (Corruption), Political freedom (POLIFREE), Tertiary Education (TEREDU), Professionalism (PROFESS) and importance of religion (RELIGION)

Hypothesis 03 expected that individual national cultures and corporate voluntary disclosure in annual reports would be positively related. This hypothesis was not supported by the coefficient of the individual scores, which was statistically non-significant and negatively related to the quality of corporate voluntary disclosure (β = -.103, p = .107). This result was not consistent with the assumption that the higher the individualism and masculinity in a country’s culture, the higher the firm voluntary disclosure would be, because of the high desire for success, resulting in a high demand for information (Gray, 1988; García-Sánchez *et al.,* 2013). However, according to NIS theory, firms’ behavior might reflect the culture of societies in which they are located as, otherwise, they may find it difficult to operate when they lack legitimacy.

The seventh hypothesis expected that the greater the economic development level of a country, the greater the quality of voluntary disclosure in the annual reports. The results supported this hypothesis, as the coefficient of the variable was positive and statistically significant (β = .153, p = .009). This result suggests that an increase in a national income level may increase the quality of corporate voluntary disclosure by approximately 42%, keeping other other variables constant.

Correspondingly, the finding supports the argument that stakeholders from developed countries are more information ambitious than those from developing ones (Ahmed and Courtis, 1999; Hassan *et al.,* 2011). Moreover, Archambault and Archambault (2003) asserted that as an economy grows, corporations might need more external capital, either through capital markets or banks, both of which may lead to high information provision. On the other hand, Nicholls and Ahmed (1995) argued that a low development level might be associated with poor voluntary disclosures because of lack of proper regulation and controls of corporations’ behavior, as regulation and control may not be the priority of a developing country. In fact, these positive relationships between the level of development and corporate voluntary disclosure have been reported by several studies (Adhikari and Tondkar, 1992; Darrough, 1995; Doupnik and Salter, 1995; Archambault and Archambault, 2003).

In hypothesis 10 examined whether greater political freedom in a country would lower the corporate voluntary disclosure in the annual reports. As the findings revealed, the coefficient of the political freedom supported this assertion, as it was positive and statistically non-significant (β = .125, p = .140), revealing that political freedom in the country is not significantly associated with the quality of corporate voluntary disclosure.

This finding was not in line with the results of Mohamad and Sulong (2010), who proposed that the level of information disclosed and political freedom might be positively related. In an environment where there is political freedom, it is argued that politicians and activists are free to say what they feel, and that the disclosure may be used to satisfy the information needs of the people. Consequently, the level of corporate voluntary disclosure is likely to be high in such a society, as corporations may satisfy both press and public demands (Haniffa and Cooke, 2002; Archambault and Archambault, 2003; Palea, 2015). Likewise, the corporations may voluntarily disclose information to legitimize their activities to the societies and governments in which they operate (De Villiers and Van Staden, 2006). However, this finding was inconsistent with the results of Archambault and Archambault (2003), who found that countries with higher political freedom were associated with low voluntary disclosure. However, Archambault and Archambault (2003) provided this result without explanation.

In addition, the hypothesis 8 anticipated that there would be a positive relationship between the press freedom of a country and corporate voluntary disclosure in the annual reports. However, the coefficient of the press freedom was positive and statistically non-significant (β = .119, p = .217), implying that press freedom is not significantly related to the quality of corporate voluntary disclosure. This supports the argument that, where there is a high degree of freedom, corporate voluntary disclosure might be low, because more information may have been already disclosed to the society through the media (Archambault and Archambault, 2003).

Finally, Hypothesis 6 hypothesized that there would be a positive relationship between the level of religiosity in a country and corporate voluntary disclosure. In fact, the coefficient of the importance of religion was negative and statistically non-significant (β =-.067, p = .423), implying that changes in religious beliefs did not affect the quality of corporate voluntary disclosure.

Hypothesis 02 expected that firms not reporting in accordance with IFRSs and IASs voluntarily would disclose less, and report lower quality information than those reporting in compliance with IFRSs and IASs. The results showed that the coefficient of the accounting professionallevel was negative and statistically significant (β =-.351, p = .000). Thus, the quality of corporate voluntary disclosure of corporations in countries operating in compliance with IFRS and IASs exceeded those operating within country accounting standards by approximately 15%. The adoption of IFRSs has also been attributed with great improvement in disclosure (Soderstrom and Sun, 2007; Bischof , 2009). Theoretically, IFRSs and IASs may affect corporate voluntary disclosure positively through normative isomorphism, because they normally encourage further disclosure. In fact, the culture of corporate voluntary disclosure in Taiwan increased significantly after the adoption of IFRSs and IASs (Kuasirikun, 2005).

Hypothesis 01 expected firms operating in Code law countries to voluntarily disclose lower quality information than those operating in Common law countries*.* This expectation was supported by the coefficient for Legal System, which was negative and significant (β =-.329, p = .000), indicating that the quality of corporate voluntary disclosure of corporations from Code law countries was lower than disclosure by corporations from Common law countries by approximately 52%.

This result was consistent with previous results, in which Common law countries were found to have a significantly larger extent of corporate voluntary disclosure than those countries operating under Code laws (Wallace *et al.,* 1994; Inchausti, 1997; Archambault and Archambault, 2003; Baker *et al.,* 2003; Nagar *et al.,* 2003). Singhvi and Desai (1971) claimed that Common law usually imposes a set of rules on corporations which, according to Belkaoui and Kahl (1978), broaden ownership and increase access to external funds. Theoretically, NIS theory about firms’ behavior may explain why the corporate voluntary disclosure of corporations from Code law countries differs from those operating in Common law countries, because the type of laws may determine how corporations should behave, if necessary with the application of penalties to enforce the laws.

In hypothesis 4, it was hypothesized that corporate voluntary disclosure had a negative relationship with uncertainity avoidance. The findings of this study supported the hypothesis that corporate voluntary disclosure had a negative relationship with uncertainity avoidance, as their relationship was negative and significant (β =-.367, p = .000).

Hypothesis 5 expected that the higher the educational level (literacy) in a country, the greater and the higher would be the quality of firm voluntary disclosure in that country. This hypothesis was consistent with the findings of this study, which found that the level of tertiary education level in a country had a positive significant relationship with corporate voluntary disclosure (β =-.264, p = .002).

These findings were consistent with the findings of Archambault and Archambault, (2003) and Elsayed and Hoque (2010), that an increase in the country’s educational level has a positive impact on corporate voluntary disclosure, due to an increase in demand for information. The findings were also consistent with NIS theory, that firms’ behavior might reflect the culture of the society in which they were located as, otherwise, they may find difficult to operate when they lack legitimacy.

Lastly, in hypothesis 9, it was hypothesized that there would be a negative relationship between the corruption levels of a country and corporate voluntary disclosure in the annual reports. This study found that the relationship between corruption and corporate voluntary disclosure was negative and non-significant. This means that the corruption level in a country has nothing to do with corporate voluntary disclosure. These findings were inconsistent with those found by Rock and Bonnett (2004), that corrupt governments tend to be secretive and that this decreases the levels of disclosure, not only of the government itself, but also of the firms it deals with. The findings were also inconsistent with those of Houqe *et al.,* (2013), that corruption level decreases with the quality of accounting reporting.

* 1. Robustness of the Findings for the Country Level Factors, and the Quality of Voluntary Disclosure

This section presents the sensitivity analysis in order to check the robustness of the findings from both the country and firm level models. As previously, two tests were employed in this analysis, namely, testing whether the results were unaffected by time, and checking whether the results changed with proxy measures for the quality of corporate voluntary disclosure.

Yearly regressions analyses were run to examine how the results of the firm levels models changed over time: models for 2011 and other models for 2012. These results are shown in Table 20 and Table 21, above. For ease of comparison, the results from the pooled regression of the firm variables are presented in the first column of both tables, and can be seen to be almost similar, indicating that the results are robust.

For instance, the coefficients for Individualism Culture were negative and insignificant in all three set of data, in the pooled data (β = -.103, P = .107) and in 2011 (β = -.113, P = .368), and only positive and insignificant in 2012 (β = -.002, P = .978). Also, the coefficients for Uncertainty Avoidance were negative and significant in 2011 (β = -.414, P = .000) and in 2012 (β = -.338, P = .000), and in the pooled data (β = -.258, P = .000). Moreover, the coefficients for Political Freedom were not significant through all set of data, in the pooled data (β = .125, P = .14); 2011 (β = .004, P = .972) and in 2012 (β = -.063, P = .55).

* 1. Chapter Summary

Chapter five presented descriptive statistics for the quantity of corporate voluntary disclosure, examined the assumptions of the multiple linear regression of normality multicollinearity, serial correlation, homogeneity of standard errors, and the linearity. It also discussed the hypotheses on the relationship between quantity corporate voluntary disclosure, and the country level and firm level factors were assessed. Finally, the chapter discussed the robustness of the models.

In this chapter, Chapter six, the findings were again presented, but this time specifically to answer Questions one and three of the study, concerning the influence of firm level factors and country level factors on the quality of corporate voluntary disclosure. This chapter had four major parts, which were, firstly, presentation of the descriptive statistics for the quality of corporate voluntary disclosure and the independent variables. The second part examined the assumptions of the multiple linear regression of normality multicollinearity, serial correlation, homogeneity of standard errors, and the linearity. In testing these assumptions, scatter plots, histograms, skewness and kurtosis, variance Inflation Factor, Breusch-Pagan; Durbin-Watson; and Cook’s distance were used. The assumptions were assumed to be reasonably acceptable, as no serious violations of the assumption were observed.

Thirdly, this chapter presented the empirical results of the quality of corporate voluntary disclosure equations. The first equation examined the relationship between 15 firm- and 10 country- level factors and the quality of the corporate voluntary disclosure. The equation showed that four of the independent variables among the firm level factors had statistically significant relationships with the quality of voluntary corporate disclosure. The second equation investigated the association between country level variable factors and the quality of corporate voluntary disclosure. The findings indicated that three of the independent variables were statistically significant and predicted the quantity of voluntary corporate disclosure. Additionally, findings from the first and the second equations were compared in order to examine whether the determinants of corporations’ voluntary disclosure may have a similar impact on both the quality and quantity of corporate disclosure.

Fourthly, this chapter discussed the results of testing the robustness of the models used in this study. These tests of robustness involved checking the consistency of results over time i.e. 2012 and 2011, and estimating the determinants of the subcategories of corporate voluntary disclosure. The results were similar over 2011 and 2012 and, hence, the findings were robust. In addition, the findings from the re-estimation of the coefficients using the subcategories of corporate voluntary disclosure did not deviate greatly from that of corporate voluntary disclosure. Therefore, these tests suggest that the regression models used produced robust findings. The next chapter is the final chapter, which presents the conclusions and recommendations of the study.

# Chapter 7: VOLUNTARY DISCLOSURE QUALITY/QUANTITY RELATIONS

# 7.1 Introduction

Chapter six presented findings specifically to answer Questions one and three of the study, concerning the influence of firm level factors and country level factors on the quality of corporate voluntary disclosure. This chapter had four major parts, which were: presentation of the descriptive statistics for the quality of corporate voluntary disclosure and the independent variables, examining the assumptions of the multiple linear regression of normality multicollinearity, serial correlation, homogeneity of standard errors, and linearity. It also presented the empirical results of the quality of corporate voluntary disclosure equations and discussed the results of testing the robustness of the models used in this study.

This chapter presents the relationship between disclosure quality and disclosure quantity, highlights the determinants of voluntary disclosure quantity and quality, identifies factors that have no impact on either disclosure quality or disclosure quantity, investigates the factors that affect disclosure quantity but which do not affect disclosure quality, and examines the factors that affect disclosure quality but which do not affect disclosure quantity.

# 7.2 Relationship between Disclosure Quality and Disclosure Quantity

This sub-section investigates the relationship between disclosure quality and disclosure quantity. To do this, correlation analysis was carried out using the overall quality CVD and overall quantity CVD , as reflected in the Table 23 below. According to Anderson, Sweeney, & Williams (1987), the Pearson Product moment correlation coefficient is the most used model for determining correlation efficiency. Values lie between -1 and +1, indicating a perfect positive relationship (+1), a perfect negative relationship (-1) and no relationship (0) between variables. It should, however, be noted that values that lie outside the parameters mentioned show a relative strength of relationship between the variables in question, which becomes relatively weaker as the value approaches zero (0). Thus, having a higher quantity of corporate voluntary disclosure does not necessarily mean that the quality of corporate voluntary disclosure will increase as well, because these variables are not related.

Table 23: Correlation between overall quality of Corporate Voluntary Disclosure (CVD ) and overall quantity of Corporate Voluntary Disclosure (CVD).

|  |  |  |
| --- | --- | --- |
|  | Overall quality CVD | Overall quantity CVD |
| Overall quality CVD | 1.00 | -0.128 |
| Overall quantity CVD | -0.128 | 1.00 |

# 7.3 Determinants of both Quality and Quantity of Corporate voluntary disclosure

This subsection identifies factors that are significantly related to both the quality and quantity of corporate voluntary disclosure. Two independent variables were significantly related to both quality and quantity of corporate voluntary disclosure at firm level as indicated. The first factor was corporate growth rate, which was found to have a significant relationship with the quality and quantity of corporate voluntary disclosure of the sampled firms. It may be that growth may encourage firms to disclose more and higher quality information to communicate their success (Wang and Claiborne, 2008; Lopes and de Alencar, 2010). This reason might also explain why was Profitability level was positive related to both the quality and quantity of corporate voluntary disclosure.

Also only the level of tertiary education and a culture of uncertainty avoidance were significantly related to both the quality and quantity of corporate voluntary disclosure at country level. Specifically, both quality and quantity of corporate voluntary disclosure appeared to increase with tertiary level education because increases in literacy increases demand for more and higher quality information. These findings were consistent with the findings of Archambault and Archambault, (2003), Elsayed, and Hoque (2010). On the other hand, the culture of uncertainty avoidance was negatively related to both the quality and quantity of corporate voluntary disclosure at country level. Adhikari and Tondkar (1992) also found that a culture of uncertainty avoidance had a negative impact on corporate voluntary disclosure.

# 7.4 Factors that have no impact on either disclosure quality or disclosure quantity

The section discusses the factors that have no impact on either disclosure quality or disclosure quantity. To identify these factors, regression analysis results were used, as reflected. At firm level ten variables were not related to quality nor the quantity of corporate voluntary disclosure. These factors were corporate size, multiple listing, liquidity level, leverage level, industry diversity, diffused shares ownership, institution shares, proportion of audit committee members with financial experts, proportion of board of directors with financial expertise, proportion of independent board members, and duality of the board of directors. Presence of other factors as country level factors might explain why these findings were not significant; certainly a future study is required to uncover this anomaly.

On the other hand, legal system, individualism uncertainty avoidance, level of economy development, press freedom, corruption, political freedom, and the importance of religion were not related to quality nor quantity of corporate voluntary disclosure. However, these findings were not consistent with Mohamad and Sulong (2010)s’ findings, which proposed that the level of information disclosed and political freedom might be positively related.

# 7.5 Factors that affect disclosure quantity but which do not affect disclosure quality

This objective aimed at investigating the factors that affected disclosure quantity but did not affect disclosure quality. From the findings reflected in Table 5.5.2 and 6.2 of the overall disclosure quantity and quality, it was discovered that the factor that affected disclosure quantity but did not affect disclosure quality was press freedom, alone, at a country level factor. There was a positive relationship between the press freedom of a country and the quantity of corporate voluntary disclosure in the annual reports. However, the coefficient for the press freedom was positive and statistically non-significant (β = .119, p = .217), implying that press freedom was not significantly related to the quality of corporate voluntary disclosure but, rather, disclosure quantity. This is based on the argument that, where there is a high degree of freedom corporate voluntary disclosure might be low, because more information may have been already disclosed to the society through the media (Archambault and Archambault, 2003). Similarly, corporates might simply disclose information for legitimacy purposes without considering its quality to satisfy the stakeholders demanding disclosure of information.

However, at firm level, only the level of liquidity was significant related to the quantity of corporate voluntary disclosure, but was not related to the quality of corporate voluntary disclosure. It might be that disclosing information of quality does not depend on financial resources, but, rather, the ability of the human being preparing it.

# 7.6 Factors that affect disclosure quality but which do not affect disclosure quantity

The section analyzes the factors that affected disclosure quality but did not affect disclosure quantity and why this was so. The findings are reflected. At country level, only the economic development level of a country affected the quality of voluntary disclosure, as the coefficient of the variable was positive and statistically significant (β = .153, p = .009), but the factor had an insignificant relationship with the quantity of corporate voluntary. This finding suggests that, as the economy of a country grows, the focus of disclosure of information may shift from simply disclosing towards disclosing higher quality information as well.

At firm level, being audited by big 4 firms had a positive significant relationship with the quality of corporate voluntary disclosure, but the factor was not related to the quantity of corporate voluntary disclosure. This finding may mean that auditors from big 4 firms place emphasis on disclosing more information to enhance the understandibility of the information and, in doing so, the quality of disclosure is improved.

# 7.7 Chapter Summary

This chapter presented the relationship between disclosure quality and disclosure quantity, highlighted the factors that have no impact on either disclosure quality or disclosure quantity, investigated the factors that affect disclosure quantity but do not affect disclosure quality, and examined the factors that affect disclosure quality but which do not affect disclosure quantity.

# Chapter 8: Conclusion

# 8.1 Introduction

The thesis set out to examine the factors affecting the quality of corporate voluntary disclosure, the quantity of voluntary corporate disclosure, and how country variables affect the quantity of corporate voluntary disclosure, in ten developing countries. Explicitly, it has examined how multiple listing, corporate size, corporate growth rate, liquidity levels, leverage levels, industry diversity and the sensitivity of industries relates to corporate voluntary disclosure. Also, it has examined the relationship between Profitability levels, auditing by the big 4, diffused shares’ ownership, institutional shares, the proportion of audit committee members with financial expertise, the proportion of the board of directors with financial expertise, the proportion of independent board members, duality in the board director’s role on one side, and corporate voluntary disclosure.

The thesis has also examined the relationship between the legal system, individualist culture, uncertainty avoidance, economic development, press freedom, corruption, political freedom, tertiary education, professionalism, the importance of religion and the quality and quantity of corporate voluntary disclosure.

This chapter will present brief summaries of the major findings, their theoretical and policy implications, the contributions of the thesis, the study limitations and suggestions for future research.

# 8.2 Summary of Empirical findings

This section summarises the empirical findings in response to the specific research questions, as follows:

1. What is the association between firm level factors and the quantity / quality of voluntary disclosure? The study found that corporate growth rate, whether a corporation was audited by the big 4, industry diversity, Profitability levels, liquidity levels and diffused share ownership were significantly related to the quality of corporate voluntary disclosure. Moreover, the findings showed a significant association between the sensitivity of an industry, diffused share ownership, corporate growth rate, Profitability levels, whether a corporation was audited by the big 4, liquidity levels, industry diversity and the quantity of corporate voluntary disclosure.
2. How do country level factors influence the quantity and quality of voluntary disclosure in a given country? The quantity of corporate voluntary disclosure was significantly related to the level of individualism in a culture, the level of uncertainty avoidance, the legal system, press freedom, corruption levels, the level of professionalism and educational levels. Furthermore, the quality of corporate voluntary disclosure was significantly correlated with the legal system, press freedom, economic development, political freedom, the importance of religion, accounting professionalism variable, and the individualism of a culture.

# 8.3 Implications of the study

This section highlights the implications of the study, theoretically, and for policy makers, as per the findings of the study. Subsection 7.3.1 provided the theoretical implications and sub section 7.3.2 spelt out the implications for policy makers.

# 8.4 Theoretical implications

The empirical findings have several theoretical implications and these are discussed below.

Firstly, the theoretical argument of agency theory, which suggests that corporate voluntary disclosures may reduce information asymentry between owners and principals, has been supported to some extent. This is because the percentage of share diffusion increases with corporate voluntary disclosure and, also, firms which had been audited by the big 4 audit firms appear to disclose less information voluntarily.

Secondly, resource dependency theory, as explained in Chapters two and three, expected that firms which need funds may disclose more information voluntarily. This argument has been supported, as firms which had lower liquidity levels were found to have disclosed more information voluntarily than those with higher liquidity.

Finally, as many of country variables were significantly related to corporate voluntary disclosure, it implies that the New Institutional Theory can be also applicable in developing countries. As discussed previously, this theory suggests pursuing legitimacy through, and copying, the internal structures of other organisations in the countries in which they operate.

# 8.5 Corporate disclosure policies’ implications

The questions of the study about the determinants of corporate voluntary disclosure have been answered, based on the findings discussed in Chapters five and six. This study has examined and demonstrated the determinants of corporate voluntary disclosure in the 2011 and 2012 annual reports of different companies by employing three theories: agency theory, resource dependency theory and NIS sociological theory. This study has addressed the determinants of corporate voluntary disclosure, with respect to firm level factors and country level factors.

In the dimension of firm level factors, corporate growth rate was found to have a significant relationship with the quality and quantity of corporate voluntary disclosure of the sampled firms. The inference is that the growth of a corporation plays a major role in encouraging corporate managements and boards to voluntarily disclose corporate information. This may be attributed to the fact that, as a corporation expands, shareholders and other stakeholders demand more information, due to the increase in the complexity of operations and management. The implication is that governments and other regulatory authorities will have to consider the prescription of growth rate when preparing disclosures for corporations. This is especially applicable for small companies, as their growth rate might be faster than that of larger corporations. Thus, the regulatory authorities, governments and other associations will have to make it mandatory for corporations to disclose all important information.

In addition, other hypothesized variables related to firm level factors and the relationship with corporate voluntary disclosure, namely, Profitability, whether a corporation is audited by the big 4 firms, industrial sensitivity, liquidity and share diffusion, were found to be significantly related to corporate voluntary disclosure. The implication of this is that economic features and activities that add value to companies are important factors that motivate corporate management to disclose corporate information voluntarily. This further implies that it is important for the industrial associations, governments and regulatory authorities to link financial incentives to corporate information reporting. This will motivate corporate management to voluntarily disclose environmental information.

In addition, these findings imply that poor corporate performance may have an incentive to hide unsatisfactory results. Consequently, regulators should pay great attention to poorly performing corporations in order to enhance corporate transparency. Also, it has been found that, as the proportion of the board of directors with financial expertise increases, the level of voluntary disclosure decreases. This finding is important for regulators, who aim to increase corporate transparency, as they should direct detailed attention to corporations with higher proportions of boards of directors with financial expertise, as these experts maybe focusing on mandatory disclosure only.

From the aspect of the country level factors’ influence on corporate voluntary disclosure, uncertainty avoidance, economic development, press freedom, professionalism and tertiary education were found to have significant relationships with corporate voluntary disclosure. None of these factors are within the control of the firms. This means that the governments, regulatory bodies and industrial associations have to ensure that there is press freedom, professionalism, economic development and high educational levels in order to motivate corporations to disclose corporate information voluntarily.

For instance, it was highlighted in Chapter six that the quality of the corporate voluntary disclosure of corporations in countries operating in compliance with IFRS and IASs exceeded that of corporations operating within national accounting standards. Also, the adoption of IFRSs has been attributed with great improvement in disclosure (Soderstrom and Sun, 2007; Bischof , 2009). Theoretically, IFRSs and IASs may affect corporate voluntary disclosure positively through normative isomorphism, because they usually encourage further disclosure. This study suggests that countries which have not yet fully adopted IFRS and IASs should now adopt them, which would enhance tax compliance.

# 8.6 Overall contributions

The results of this research make several contributions to the existing corporate voluntary disclosure literature. Firstly, as can be seen in Chapter 2, few studies have investigated factors determining the quality of corporate voluntary disclosure. In fact, research on the quality of voluntary disclosure of this sample size has been missing, according to best knowledge.

Secondly, as previously discussed, by using data from developing countries, the thesis has a contextual contribution, as research about corporate voluntary disclosure in general from developing countries is relatively limited (see Chapter 2). Furthermore, doing a cross-country study, the research provides more generalisable results, by comparing how country and firm level factors relate to corporate voluntary disclosure (Landman, 2008). Doing research in developing countries is important for two reasons. Firstly, there is a huge movement of foreign capital investment from developed to developing countries (Gourinchas and Jeanne, 2013), which means that investors may depend largely on corporate voluntary disclosure to monitor their investments. Secondly, because of differences in countries’ factors, shareholder awareness, and regulators’ ability to regulate corporations between developing and developed countries, the extent and quality of corporate voluntary disclosure in developing countries may be affected by different factors from those factors affecting them in developed countries.

Additionally, few cross-country studies have been done in developing countries specifically, so this study joins studies undertaken by Archambault and Archambault (2003), who investigated corporate disclosure in a mixture of developing and developed countries, and Jaggi and Low (2000) and Ernstberger and Grüning (2013) who considered general, i.e. both voluntary and mandatory corporate disclosure, in developed countries. However, this thesis differs from these studies as it has considered both the quality and quantity of corporate voluntary disclosure, rather than general corporate disclosure, in ten developing countries.

Thirdly, as explained in Chapter 2, although extensive research has been carried out on corporate voluntary disclosure in developed countries, with less in developing countries, the results have often contradicted each other. Therefore, this research has attempted to reconcile these contradictory results by studying how the country and firm level factors in ten developing countries influenced the quality and quantity of corporate voluntary disclosure.

Lastly, this research provides four recommendations for policy makers, investors, formulators of accounting standards and regulators who are interested in ensuring financial transparency. These contributions are summarized in Table 24 below.

Table 24: Summary of the Contributions of the thesis

|  |  |
| --- | --- |
| 1. Contribution to corporate volunatry disclosure | |
| Relationships between | Comments |
| Quality of corporate voluntary disclosure and firm level factors | New evidence for cross country data has been provided. To date there has been no cross country study which has measured the determinants of the quality of corporate voluntary disclosure. |
| Quantity of corporate voluntary disclosure and firm level factors | There has only been limited research into this relationship too. |
| Quality of corporate voluntary disclosure and Country factors | This thesis is one of the few studies investigating these relationships. |
| Quantity of corporate voluntary disclosure and Country factors | This thesis is one of the few studies investigating these relationships. |
| 1. Methodological contributions | |
| Items | Comments |
| Cross country study | Few studies have managed to do a cross country study, so this study adds to the limited studies with new evidence. |
| 1. Contextual contribution | Comments |
| Data from developing countries | The thesis has contributed to the limited corporate voluntary disclosure cross country studies. |
| 1. Policies implication | Comments |
| Four policy implications are suggested in this studies. | The implications are of help to regulators and policy makers interested in increasing corporate transparency. |

# 8.7 Delimitation and Limitations of the thesis and avenues for future research

The main objective of the project was to identify how corporate and country level factors relate to both quality of voluntary corporate disclosure. Firms’ levels of voluntary disclosures were assessed using a voluntary disclosure index to avoid research bias (see Chapter 4). As stated previously, these relationships were investigated quantitatively with the help of multiple linear regressions, since multiple linear regression is a powerful tool in identifying associations between variables (Hair *et al.,* 2010). Furthermore, only ten developing countries were considered in the study, in order to have manageable data. Moreover, due to reasons of manageability, only annual reports from 2011 and 2012 were analysed, so information provided by other channels was not used in measuring corporate voluntary disclosure in this study, for reasons explained previously.

As explained earlier, this thesis examined the determinants of corporate voluntary disclosure using secondary data. Consequently, there are two main limitations, which affect the generalisation of these results. Firstly, the research used only a few companies from 10 developing countries, resulting in a limited sample size. In addition, the research considered pooled data from 2011 and 2012 in order to have manageable data. Therefore, the results of this study may not provide a generalized overview of corporate voluntary disclosure. Hence, the results do not show a trend for the development of corporate voluntary disclosure over many years.

Secondly, this research used annual reports as source data. The corporate voluntary disclosure discussed in this study ignored other source data. Specifically, corporations disclose information through other stand-alone reports, such as press releases, web-site disclosure and media announcements. Consequently, corporate voluntary disclosure in annual reports may not include information voluntarily disclosed through another media. This exclusion may have limited the study’s ability to capture and fully measure the corporate voluntary disclosure.

# 8.8 Avenues for future research

Three avenues are recommended for future research to extend accounting literature in the area of corporate voluntary disclosure, as explained in the limitation section. Firstly, future studies could apply a longitudinal methodology, whereby companies’ annual reports over a number of years could be selected, and those studies should also increase the number of countries and companies. Ntim and Soobaroyen, (2013) have already identified that this study area has been addressed more in the developed countries and specific companies, but in the emerging countries it has not been widely carried out.

Secondly, future research could overcome the use of quantitative data only by analyzing both quantitative and qualitative approaches and, by using weighted index measures, examine the level of importance of each item of disclosure. As Creswell and Clark (2011, p.15) suggest: *“One way to help convince others of the utility of mixed-methods is to locate exemplary mixed-methods studies in the literature on a topic or in a content area and share studies to educate others”.* Waleed, (2014) supported the use of both quantitative and qualitative methods to improve findings and conclusions, which this study suggests for further research.

Finally, Sukthomya (2011) in his study on Empirical Evidence of Voluntary Disclosure In The Annual Reports of Listed Companies: The Case of Thailand, used a number of sources, which was a success and he also recommended the use of many sources of corporate voluntary disclosure. This study also recommends that future research should use many sources of corporate voluntary disclosure to confirm these findings, such as financial statements, information provided informally by managers, footnotes, analyst presentations and conference calls, press releases and Internet websites.

# 8.9 Conclusion

The research objective of thesis was to examine how firm level factors are associated with the quantity and quality of voluntary disclosure in annual reports, and to analyse how country level factors are associated to the quantity and quality of voluntary disclosure. It has been found that corporate growth rate, being audited by the big 4 audit firms, industrial diversity, Profitability levels, liquidity levels and diffused share ownership were significantly related to the quality of corporate voluntary disclosure. In addition, it was found that corporate growth rate, being audited by the big 4 audit firms, industrial diversity, Profitability levels, liquidity levels and diffused share ownership were significantly related to the quality of corporate voluntary disclosure.

Moreover, the findings showed a significant association between the sensitivity of the industry, diffused share ownership, corporate growth rates, Profitability levels, being audited by the big 4 audit firms, liquidity levels, industrial diversity and the quantity of corporate voluntary disclosure. Similarly, the quantity of corporate voluntary disclosure was significantly related to the level of individualism of a culture, the level of uncertainty avoidance, the legal system, press freedom, corruption levels, levels of professionalism and educational levels. Finally, it has been shown that the quality of corporate voluntary disclosure was significantly correlated with the legal system, press freedom, economic development, political freedom, the importance of religion, accounting professionalism variable, and the level of individualism of a culture.

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appendix 1: Summary of empirical studies on voluntary corporate disclosure that were essential for this study

|  |  |  |  |
| --- | --- | --- | --- |
| Study | Country | Sample | Major findings |
| Boesso and Kumar (2007) | Italy and USA | 72 Italian and US companies | Company emphasis on stakeholder engagement was the strongest predictor of voluntary disclosure volume and the only predictor in the case of US companies. |
| Craig and Diga (1998) | Southeast Asian (ASEAN) | 145 public companies listed on the stock exchanges of Singapore, Malaysia, Indonesia, the Philippines, and Thailand. | Compliance with financial disclosure requirements was quite low throughout the region. For factors influencing, financial disclosure.  Correlations between disclosure levels of Asian countries and company size, leverage, foreign operation, industry type, and country of origin. |
| Munisi and Randoy (2013) | Sub-Saharan African | 273 and 307 firm-year observations  2005 - 2009 | Positive relationship with firm Profitability and negative relationship with firm value |
| Archambault and  Archambault (2003). |  | Leading industrial companies from 33 countries | Financial disclosure decision is complex and influenced by many factors including culture, national systems, and corporate systems. |
| Wee (2013) | Australian | 150 large listed Australian firms in the three-year | This study observes link between changes in financial reports despite some changes were in accounting practice more than economic changes. So, firms disclose more information when they have more changes in earnings to give a hint for expected future earnings. |
| Abraham, et al., 2015 | India | Indian companies’ compliance with the mandatory and voluntary corporate governance disclosure requirements | Selected Indian companies are highly compliant with corporate governance disclosure requirements of Clause 49. Also, the level of disclosure has been increased significantly especially when government changes in Clause 49 then the penalties became more severity. |
| Mateescu 2015 | Four European countries: Estonia, Poland, Hungary and Romania. | the corporate governance voluntary and non- voluntary disclosure practices of the listed companies | Estonian and Polish companies are more implemented of government national corporate governance policy, while Hungarian and Romanian companies are reluctant to obeying with the corporate governance principles and to revealing to their stakeholder’s information about their governance policy. |
| Gallego-Álvarez and Quina-Custodio 2016 | Multinational study | Based on a sample of 110 companies for the year 2014 | The companies in the sample found into three groups:  an average of six economic indicators, 20 environmental indicators and 27 social indicators. The results of the explanatory variables examined are showed that company size, leverage, Dow Jones Sustainability Indices (DJSI)  and civil law were the most significant factors which are the most controlling a firm’s disclosure decision that is related to CSR issues. |

appendix 2: Correlation matrix of all variables for 596 firm years

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quality Correlation | INDIVIDUAL | UNAVOID | LEGSYS | IS | 4F | DUL | PRESSFREE | Corruption | Polifree | RELIGION | TEREDU | Eco | PROF ESS | PABD | PBDF | PIBD | SD | SI | CGR | LVL | PL | LQL | MUL | ID | CS | OVERALL |
| INDIVIDUAL | 1.000 | .407\*\* | .273\*\* | -.035 | .030 | .003 | -.293\*\* | .114\*\* | -.186\*\* | -.059 | -.501\*\* | .064 | .410\*\* | .143\*\* | .010 | .220\*\* | -.023 | -.144\* | -.017 | -.194\*\* | -.072 | .020 | -.122\*\* | -.134\*\* | -.040 | -.220\*\* |
| UNAVOID | .407\*\* | 1.000 | .669\*\* | .251\*\* | -.350\*\* | -.130\*\* | .137\*\* | -.220\*\* | .287\*\* | -.111\*\* | -.004 | .117\*\* | .169\*\* | .031 | -.316\*\* | -.012 | -.218\*\* | -.129\* | .009 | -.086 | -.118\*\* | .265\*\* | -.011 | .148\*\* | -.210\*\* | -.517\*\* |
| LEGSYS | .273\*\* | .669\*\* | 1.000 | .073 | -.318\*\* | -.090\* | -.428\*\* | .068 | .258\*\* | .349\*\* | -.574\*\* | -.419\*\* | -.161\*\* | -.010 | -.116\* | .020 | -.195\*\* | -.050 | .083\* | .009 | -.141\*\* | .061 | -.089\* | .008 | -.460\*\* | -.453\*\* |
| IS | -.035 | .251\*\* | .073 | 1.000 | -.074 | -.120\*\* | .165\*\* | -.224\*\* | .050 | -.106\*\* | .201\*\* | .156\*\* | .071 | .084 | -.254\*\* | -.001 | -.025 | -.018 | .011 | -.112\* | .106\* | .156\*\* | .075 | .264\*\* | -.035 | -.085\* |
| 4F | .030 | -.350\*\* | -.318\*\* | -.074 | 1.000 | .056 | -.053 | -.089\* | -.140\*\* | -.226\*\* | .069 | .289\*\* | .055 | -.003 | .052 | .049 | -.022 | .151\* | .020 | -.098\* | .199\*\* | -.085\* | -.035 | .024 | .355\*\* | .370\*\* |
| DUL | .003 | -.130\*\* | -.090\* | -.120\*\* | .056 | 1.000 | -.012 | .054 | .142\*\* | .091\* | .019 | .047 | .016 | -.061 | .063 | .071 | -.103 | .043 | -.102\* | .007 | -.109\* | -.072 | -.101\* | .003 | .001 | .156\*\* |
| PRESSFREE | -.405\*\* | .198\*\* | -.431\*\* | .227\*\* | -.105\* | -.056 | 1.000 | -.197\*\* | .307\*\* | -.415\*\* | .855\*\* | .388\*\* | .070 | -.124\* | -.164\*\* | -.217\*\* | .090 | -.067 | -.030 | -.049 | .100\* | .199\*\* | .043 | .150\*\* | .254\*\* | .115\*\* |
| Corruption | .119\*\* | -.294\*\* | -.055 | -.191\*\* | -.178\*\* | .029 | -.286\*\* | 1.000 | .041 | .298\*\* | -.734\*\* | -.716\*\* | -.068 | .082 | .091 | .251\*\* | .025 | -.251\*\* | -.019 | .041 | -.035 | -.133\*\* | .118\*\* | -.211\*\* | -.088\* | -.199\*\* |
| Polifree | -.105\* | .315\*\* | .198\*\* | .044 | -.158\*\* | .139\*\* | .282\*\* | -.046 | 1.000 | .313\*\* | .277\*\* | .088\* | -.072 | -.239\*\* | -.317\*\* | -.384\*\* | -.333\*\* | .228\*\* | -.035 | .033 | -.093\* | .119\*\* | -.285\*\* | .153\*\* | -.282\*\* | .052 |
| RELIGION | -.042 | -.053 | .388\*\* | -.100\* | -.247\*\* | .093\* | -.381\*\* | .549\*\* | .356\*\* | 1.000 | -.331\*\* | -.629\*\* | -.243\*\* | -.046 | .057 | -.240\*\* | .238\*\* | .015 | .013 | .193\*\* | -.058 | -.032 | -.247\*\* | -.096\* | -.423\*\* | -.083\* |
| TEREDU | -.510\*\* | -.003 | -.555\*\* | .203\*\* | .064 | .005 | .868\*\* | -.631\*\* | .291\*\* | -.405\*\* | 1.000 | .661\*\* | -.321\*\* | -.188\*\* | -.098 | -.399\*\* | .045 | .105 | -.009 | -.027 | .072 | .193\*\* | -.046 | .215\*\* | .285\*\* | .316\*\* |
| Eco | .106\*\* | .113\*\* | -.460\*\* | .151\*\* | .282\*\* | .067 | .475\*\* | -.689\*\* | .096\* | -.596\*\* | .634\*\* | 1.000 | .419\*\* | -.042 | -.204\*\* | -.074 | -.216\*\* | .279\*\* | -.081\* | -.134\*\* | .035 | .103\* | -.095\* | .239\*\* | .342\*\* | .294\*\* |
| PROF ESS | .410\*\* | .169\*\* | -.161\*\* | .071 | .055 | .016 | .059 | .055 | -.079 | -.244\*\* | -.338\*\* | .460\*\* | 1.000 | .178\*\* | -.170\*\* | .253\*\* | .001 | .217\*\* | -.127\*\* | -.036 | .074 | .048 | -.043 | .167\*\* | .205\*\* | -.063 |
| PABD | .143\*\* | .034 | -.003 | .068 | -.003 | -.063 | -.091 | .097\* | -.202\*\* | -.063 | -.174\*\* | -.025 | .154\*\* | 1.000 | .132\*\* | .153\*\* | .035 | -.038 | -.045 | .032 | .002 | .066 | .155\*\* | .043 | .115\* | -.156\*\* |
| PBDF | -.017 | -.317\*\* | -.120\* | -.252\*\* | .082 | .079 | -.201\*\* | .120\* | -.306\*\* | .031 | -.085 | -.195\*\* | -.180\*\* | .153\*\* | 1.000 | .083 | .274\*\* | .029 | -.020 | .035 | -.048 | -.098 | -.020 | -.133\*\* | -.001 | .064 |
| PIBD | .225\*\* | .000 | .014 | -.003 | .022 | .087 | -.207\*\* | .109\* | -.355\*\* | -.260\*\* | -.366\*\* | -.048 | .251\*\* | .120\* | .093 | 1.000 | .007 | -.154\* | .022 | -.190\*\* | .112\* | .039 | .093\* | .040 | .146\*\* | -.262\*\* |
| SD | .017 | -.212\*\* | -.196\*\* | -.060 | -.022 | -.100 | .040 | .238\*\* | -.252\*\* | .283\*\* | .061 | -.155\*\* | -.013 | .028 | .250\*\* | .005 | 1.000 | -.115 | .101 | .099 | .205\*\* | .088 | -.287\*\* | -.002 | -.020 | -.030 |
| SI | -.134\* | -.154\*\* | -.089 | -.009 | .176\*\* | .039 | -.090 | -.219\*\* | .095 | -.025 | .089 | .288\*\* | .241\*\* | -.062 | .008 | -.185\*\* | -.094 | 1.000 | -.025 | .147\* | -.098 | -.125\* | -.134\* | .223\*\* | .035 | .294\*\* |
| CGR | -.029 | .007 | .074 | .005 | .016 | -.094\* | -.040 | -.048 | -.036 | .015 | .017 | -.068 | -.120\*\* | -.050 | -.027 | .014 | .104 | -.003 | 1.000 | -.025 | .189\*\* | .006 | -.057 | -.058 | .002 | -.042 |
| LVL | -.200\*\* | -.079 | .005 | -.105\* | -.109\* | .012 | .003 | .100\* | .004 | .158\*\* | -.012 | -.122\*\* | -.027 | .045 | .028 | -.191\*\* | .085 | .133\* | -.022 | 1.000 | -.031 | -.298\*\* | -.018 | -.048 | -.031 | .065 |
| PL | -.076 | -.121\*\* | -.146\*\* | .057 | .199\*\* | -.121\*\* | .091\* | .029 | -.090\* | -.072 | .070 | .035 | .071 | -.001 | -.039 | .086 | .186\*\* | -.059 | .151\*\* | -.011 | 1.000 | .239\*\* | -.142\*\* | -.010 | .183\*\* | .032 |
| LQL | -.006 | .221\*\* | .075 | .137\*\* | -.070 | -.055 | .188\*\* | -.067 | .133\*\* | .018 | .155\*\* | .068 | .021 | .096 | -.082 | .012 | .068 | -.107 | .016 | -.280\*\* | .224\*\* | 1.000 | -.158\*\* | .135\*\* | -.069 | -.152\*\* |
| MUL | -.121\*\* | -.044 | -.122\*\* | .084\* | -.005 | -.074 | .097\* | .064 | -.263\*\* | -.251\*\* | -.031 | -.075 | -.015 | .164\*\* | -.013 | .054 | -.276\*\* | -.128\* | -.077 | -.019 | -.133\*\* | -.147\*\* | 1.000 | .103\* | .138\*\* | .038 |
| ID | -.126\*\* | .094\* | -.029 | .253\*\* | .047 | -.002 | .181\*\* | -.184\*\* | .060 | -.107\*\* | .185\*\* | .213\*\* | .174\*\* | .037 | -.118\* | .050 | .003 | .234\*\* | -.014 | -.065 | -.004 | .125\*\* | .129\*\* | 1.000 | .071 | .034 |
| CS | -.032 | -.179\*\* | -.421\*\* | -.023 | .328\*\* | .002 | .262\*\* | -.093\* | -.229\*\* | -.392\*\* | .243\*\* | .333\*\* | .216\*\* | .125\* | -.017 | .151\*\* | -.074 | -.059 | .024 | -.019 | .176\*\* | -.053 | .100\* | .080 | 1.000 | .165\*\* |
| OVERALL | -.195\*\* | -.492\*\* | -.417\*\* | -.072 | .373\*\* | .148\*\* | .010 | -.211\*\* | .004 | -.086\* | .304\*\* | .299\*\* | -.044 | -.127\*\* | .035 | -.244\*\* | -.033 | .349\*\* | -.031 | .052 | .031 | -.134\*\* | .068 | .050 | .128\*\* | 1.000 |

*Notes: The bottom left half of the table contains the Pearson parametric correlation coefficients, whereas the upper right half of the Table shows the Spearman non parametric correlation coefficients. \*\*\*,\*\* and \* indicate that correlations are significant at the 1%, 5% and 10% levels, respectively. Variables are defined as follows:* Corporate Voluntary Disclosure (CVD ) Corporate size (CS), Corporate growth (CGR) Multiple Listing (MUL), Liquidity Level (LQL), Leverage Level (LVL), Industry Diversity (ID), Sensitivity Industry (IS), Profitability Level (PL), Audited by Big 4 (4F). Diffused Shares Ownership (SD), Institution Shares (SI), Proportion of Audit Committee Members with Financial Experts (PACF), Proportion Of Board Of Directors With Financial Expertise (PBDF), Proportion of Independent Board Members (PIBD), duality board of directors (DBD)

1. The sampling decision was made in 2013. [↑](#footnote-ref-1)
2. This study has not included corporate reputation because of lack of secondary data measuring the reputation of the sampled companies, measuring corporate reputation requires collecting stakeholders views. [↑](#footnote-ref-2)