Factors Affecting the Corporate Governance Disclosure:  
An Analysis of Manufacturing Firms of Pakistan  

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Abstract  
This study analyzes the impact of different governance related variables on the corporate governance disclosure level of Pakistani manufacturing firms. The study period is one year i.e. 2014 and it used a sample of 50 manufacturing firms which are classified into five different categories. The analyses are done through OLS regression. A comprehensive disclosure index consisting the thirty different disclosure items is developed which served as dependent variable. Thirty disclosure items are included in the index according to the disclosure requirements of SECP code of corporate governance. Board independence, managerial ownership, foreign ownership, block holdings and audit firm status are used as corporate governance related independent variables. The results indicate that the CG disclosure level of selected manufacturing firms is positively influenced by board independence, foreign ownership, block holding ownership and audit firm status. However the results of managerial ownership variable are not statically significant and the hypothesis regarding to this variable is rejected. The study found that all the independent variables except managerial ownership are the important determinants of CG disclosure.  

Keywords: CGD, INDE’s, SECP  

1. Introduction  
Corporate governance got the attention of many researchers in recent years. The subject matter of corporate governance is to protect all the stack holders’ rights. It provides a mechanism through which companies are controlled, guided and directed. Every country has its own code of corporate governance which directs the companies to operate in a specific way. This code urges the firms to operate so as none of the stakeholder’s rights are violated. Different clauses are included in this corporate governance code. In Pakistan SECP (Securities and Exchange Commission of Pakistan) has also issued the governance code. The earlier version of this code was issued in 2002. Later on some amendments were made in this code and the amended version issued in 2012. This code discusses about the rights and responsibilities of the directors of the listed firms. According to this code all the listed companies have to disclose different kinds of information in annual financial statements so as to make all the stakeholders aware about the company’s internal matters. Some corporate governance disclosure requirements are mandatory while others are optional. According to code of corporate governance 2012 issued by the SECP the corporate section of the annual reports should disclose following information:  
• Companies must disclose the information regarding their board structure. This includes the information about the number of board members, list of executive and non-executive directors, chairman of the board, etc. Company should disclose the complete profile of the directors (including their education, skills etc.)  
• Company’s vision and mission must be shared with the stakeholders by disclosing them in the annual reports.  
• If CEO works as the chairman of the board (duality of the position) it should be mentioned in the corporate section annual reports.  
• Related party transaction details must be disclosed.  
• The information about the different board committees established by the firm for the board assistance like the audit committee, HRM and remuneration committee etc. should be disclosed.  
• The number of the meetings held by these committees should also be disclosed.  
• Information about risk management (with all details) should also be disclosed.  
• The ownership structure details should be disclosed.  
• The summary of the financial data of the previous six years should be disclosed.  
• All the details regarding the director’s remuneration should also be disclosed.
The company must admit that it has fulfilled all the corporate governance disclosure requirements. The statement of compliance with the code of corporate governance should be disclosed. Some firms do not follow the disclosure requirements of the SECP’s code of corporate governance. There are some factors which can affect the corporate governance disclosure. This study analyzes the factors which affect the CG disclosure of manufacturing firms of Pakistan. It is considered the first attempt in the country to focus on the CG disclosure determinants of manufacturing firms of Pakistan. According to our limited knowledge the factors affecting the CG disclosure of the Pakistani manufacturing firms are still not analyzed. The literature on this topic is rare in Pakistan. The findings of this research will help the corporations to know the factors which are behind the low disclosure level so as these firms can take measures to enhance it.

2. Literature Review

Different studies attempted to analyze the CG disclosure determinants in various countries. Samaha, Dahawy and Hussainey (2012) analyzed the factors affecting the CG disclosure of the Egyptian firms. A unique CG index was made keeping in view the requirements of the Egyptian code of governance which served as dependent variable. This study reported that the disclosure is positively affected by the board independence and audit committee while it is negatively affected by the CEO duality and board size. Al-Moataz and Hussainey (2012) investigated how the CG disclosure is affected by different variables by taking the data of Saudi Arabian firms. The study not only analyzed the impact of governance variables on the disclosure but it also included the firm characteristics variables. The study showed that the audit committee enhances the disclosure level while the board independence and director’s ownership cause to decrease the CG disclosure of Saudi firms. Bauwhede and Willekens (2008) investigated the impact of governance related variables on the CG disclosure of different European firms. This study used a new variable of accruals along with other governance variables. The result showed that the disclosure level increases with the accruals while the same is decreases with the director’s ownership and CEO duality.

Ho and Wong (2001) analyzed the impact of different governance related variables on the disclosure level of Hong Kong firms. The variables relating to the firm characteristics are also included in the study. Their results revealed that the board dominance and family ownership negatively affect the CG disclosure while it is positively affected by audit committee and board independence. Collett and Hrasky (2005) attempted to analyze the CG disclosure determinants in the context of Australian firms. The study primarily focused on the impact of firm characteristics (size, leverage, ROA etc.) on the disclosure level. The result showed that the ROA positively and firm size negatively affects the CG disclosure of Australian firm. Barako, Hancock & Lzan (2006) targeted the Kenyan firms for analyzing the disclosure determinants. This study used CG disclosure index which was made according to the Kenyan code of corporate governance disclosure requirements. The results revealed the board independence, audit committee, ownership structure including the foreign and institutional ownership are the major factors affecting the CG disclosure of Kenyan firms. Haniffa and Cooke (2002) examined the CG disclosure determinants by taking the data of Malaysian firms. This study developed a comprehensive CG index. This index was used as dependent variable while governance and firm related variables are used as independent variables. The results indicated that ROA, firm size, institutional shareholding and board independence positively affect the CG disclosure of Malaysian firms. A negative impact of family ownership on the disclosure was reported by this study.

Eng and Mark (2003) analyzed the impact of both; the governance and firm related variables on the CG disclosure. The impact of block holders, government ownership, director’s ownership, government ownership, firm size, market to book value ratio and ROA were checked on the governance disclosure. The study revealed that block holders and government ownership cause to increase the disclosure level. This result was not supported by previous studies. Furthermore the firm size, market to book value ratio and ROA were found to be positively related with CG disclosure. Mallin and Ow-Yong (2012) focused on analyzing the CG disclosure determinants of the listed firms of UK. The study reported a positive impact of board size and board independence on GC disclosure while a negative impact of gearing and director’s ownership was reported. Bhuiyan and Biswas (2007) worked on analyzing the CG disclosure factors of Bangladeshi firms. Firm size and age were the firm’s related while the institutional, government and managerial ownership were the governance related variable used in this study. The result showed that all the above variables except managerial ownership are positively related with CG disclosure of Bangladeshi firms.

3. Research Framework

The research framework includes the study variables and related hypotheses. The CG disclosure is measured by developing a CG index and taking the total score of the index values as dependent variable of the study. Different governance related variables like board independence, managerial ownership, block holding ownership, foreign ownership and audit firm status served as independent variables. The study frame work is shown in the diagram below.
Diagram 1: Factors affecting the corporate governance disclosure

The above diagram shows the governance related facts which affect the CG disclosure of Pakistani manufacturing firms. These variables are measured by different ways. The detail regarding the measurement of these variables is provided below.

3.1 Dependent variable

Corporate Governance Disclosure:

As stated above that the CGD (corporate governance disclosure) index is used as dependent variable. This index contains different items which should be disclosed by the listed manufacturing firms of Pakistan. The items are included in the index keeping in view the SECP code of corporate governance disclosure requirements. There are 30 disclosure items in the index and each item has a disclosure score equal to one if the specific manufacturing firm discloses it in annual report and 0 otherwise. If any firm discloses all the information its disclosure score will be equal to 30. Samaha et al. (2012) and Al-Moataz, and Hussainey (2012) also made the disclosure indexes by the same way which served as dependent variable. These indexes are made according to the disclosure requirements of the countries where these studies are conducted. CG index is shown in appendix1.

3.2 Independent variables

The study used five independent variables. One is related to the board structure (board independence). Three variables are related to ownership structure (managerial, foreign and block holding ownership) and one is related to the auditing (audit firm status). The variable board independence represents the number of independent non-executive directors in the board. Samaha et al. (2012) and Chen and Jaggi (2001) used the percentage of independent non-executive directors in the board for measuring the board independence. The managerial ownership represents the percentage of the shares held by the firm’s directors and executives. It is also called director’s ownership. Chau and Gray (2002) and Adelopo (2011) adopted the same measure for director’s ownership. Foreign ownership is the percentage of the shares held by foreign investors. These might include foreign individuals or companies. Haniffa and Cooke (2002) and Barako et al. (2006) analyzed how the foreign ownership affects the CG disclosure. They measured the foreign ownership by the percentage of the total shares held by foreigners. The variable block holding ownership represents the persons who held more than 5% shares of any firm. The block holders either persons or entities hold a reasonable amount of the firm’s shares. They hold at least 5% shares of any firm. Marston and Polei (2004) and Samaha et al. (2012) included this variable in their study. They also regarded the person or entity holding more than 5% shares of the firm as block holder. Finally the variable ‘audit firm status’ is used in many studies like Arcay and Vázquez (2005), Samaha et al. (2012) and Xiao, Yang and Chow (2004). This is used as dummy variable in all the cited studies. It is equal to 1 if any firm accounts are audited by big four audit firms of the country and zero otherwise. Table 1 shows all the study variables. The operational definitions of these variables are also provided in the table.
work. If the firms try to violate the CG disclosure requirements these auditing firms put pressure on them and refrain them from doing this. So these firms ensure the audit quality enhances the disclosure level. Eng and Mark (2012) stated that if any firm hires the competent audit firm the CG disclosure level of this specific firm increases. This is because the big four audit firms do not compromise on their reputation and do quality audit work. If the firms try to violate the CG disclosure requirements these auditing firms put pressure on them and refrain them from doing this. So these firms ensure the audit quality enhances the disclosure level. Eng and Mark

<table>
<thead>
<tr>
<th>Table 1: Study variables and their measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable name</strong></td>
</tr>
<tr>
<td>Corporate governance disclosure index</td>
</tr>
<tr>
<td>Board independence</td>
</tr>
<tr>
<td>Managerial ownership</td>
</tr>
<tr>
<td>Foreign Ownership</td>
</tr>
<tr>
<td>Block holder ownership</td>
</tr>
<tr>
<td>Audit firm status</td>
</tr>
</tbody>
</table>

3.3 Hypothesis development

The above governance related variables have a varied impact on CG disclosure. Chau and Leung (2006) argued that INED’s performs the supervision function as they keep deep eyes on the affairs of the board members. They also observe the management behavior and activities. Their presence in the board refrain the firm from doing any unethical or illegal works. If the firm tries to hide important information from the stakeholders the INED’s resist this behavior. So they cause to enhance the corporate or financial disclosure level of the firms. Beasley (1996) stated that the INED’s cause to reduce the chances of financial fraud and help in maintaining the transparency and desired disclosure level. The above arguments are enough to hypothesize that the INED’s positively affects the disclosure level.

**H1:** The presence of INED’s in the board enhances the disclosure level and they have a positive impact on the CG disclosure of the manufacturing firms working in Pakistan. The variable managerial or director’s ownership decreases the CG disclosure. According to agency theory the shareholders are the real owners of the firm but they appoint the directors to conduct the firm’s affairs on their behalf. In case when the directors own the firm’s shares their interests are aligned with other stakeholders. This reduces the need for more monitoring and thus the need for disclosure. Eng and Mark (2003) stated that the director’s ownership reduces the need for more monitoring by the directors. The decreasing monitoring level also inversely affects the disclosure level.

**H2:** The director’s ownership causes to lower the CG disclosure level of Pakistani manufacturing firms. This variable negatively affects the disclosure level.

The literature suggests that the CG disclosure increases as the foreign share holdings increases. According to Singhvi (1968) the foreign shareholders have a deep interest in the overall firm performance. They also require from the organization not to hide any important or relevant information from them. They also influence the board to take the fair financial reporting decisions. Their presence in the board reduces the chances of frauds and enhances the CG disclosure. In the light of above discussion this study assumed that the CG disclosure is positively influenced by foreign ownership.

**H3:** Foreign shareholding has a positive impact on the CG disclosure of manufacturing firms of Pakistan. The literature on the variable block holding ownership showed a varied impact of this variable on CG disclosure. According to Marston and Polei (2004) the firm disclosures more information when its shares are held by small investors (the shareholders having less than 5% shares of any firm) because these shareholders have no access to the firm’s internal sources of information. Disclosure is the only way to make these shareholders aware and informed about the firm’s internal matters. As the large shareholders can have access to the firm internal sources of information so there is less need to disclose corporate information in this case. Contrary to this argument Haniffa and Cooke (2002) stated that accessing the large shareholders the internal information does not mean that the firm is no longer liable to disclose them. They farther stated that larger shareholders stakes are associated with the firm more than the small ones so they demand the firm to disclose any related information and not to hide the corporate level information from them. So there presence in the ownership structure is a sign of increasing corporate disclosure.

**H4:** The CG disclosure of Pakistani firm increases with the increase in the block holder ownership and a positive association exists between these variables.
Haniffa and Cook (2000) also presented the same views about the role of the big four auditing firms regarding the CG disclosure. 

**H5:** The audit firm status enhances the CG disclosure and has positive impact on CG disclosure of Pakistani manufacturing firms.

### 4. Research Methodology

This section describes the research methodology including the sampling, data collection and statistical model. There are almost 400 listed manufacturing firms working in the country. This study selected a sample of only 50 manufacturing firms. The selected firms are further categorized into five different categories named as cement, chemicals, textiles, oil & gas and sugar firms. Ten firms from each category are selected based on the convenient sampling. To analyze the impact of ownership structure and other related variables on CG disclosure OLS regression technique is used. Following statistical model is developed for this purpose.

\[
\text{CGD_INDEX} = \beta_0 + \beta_1\text{BIND} + \beta_2\text{MAOWN} + \beta_3\text{FOROWN} + \beta_4\text{BLKOWN} + \beta_5\text{AUDFS} + \epsilon
\]

Where CGD_INDEX stands for corporate governance disclosure index and it measures the disclosure intensity. BIND is the board independence. MAOWN is the managerial ownership. FOROWN is the foreign ownership. BLKOWN is the block holding ownership and AUDFS stands for audit firm status.

#### 4.1 Data collection:

Annual reports of the selected firms provided all the information relating to the study variables. The data of governance related variables (dependent & independent) is collated from the corporate information section of these annual reports. The CG index is scored with the help of these annual reports. The annual statements for the year of 2014 are used for data collection. The study is limited to one year because it follows the disclosure requirements of the code of corporate governance issued by SECP. As this code was amended in 2012 so the data of only one year i.e. 2014 is taken into consideration.

#### 4.2 Data Analysis and Results

The results of the study are shown below. The descriptive analysis of dependent and independent variables is shown separately. Table 2 shows the CG disclosure score of the selected firms. Cement firms have minimum value of 28 and it indicates that some cement firms disclose 28 information items although some other cement firms disclose all 30 items because the maximum value is 30 while 29.20 is the mean value of CG disclosure score of cement firms. The other sector firm’s minimum, maximum and mean values are also provided. The table indicates that cement firms disclosure more CG information than other sector firms. The chemicals firms have less mean CG disclosure score among all the selected firms. So their disclosure levels low as compare to other sector firms.

| Table 2: Descriptive Statistics (Dependent variable CG disclosure score) |
|----------------------|------------|--------|--------|--------|-------|
|                      | N         | Minimum | Maximum | Mean   | Std. Deviation |
| Cement firms         | 10        | 28.00   | 30.00   | 29.20  | .788   |
| Chemical firms       | 10        | 26.00   | 30.00   | 28.20  | 1.619  |
| Textile firms        | 10        | 21.00   | 29.00   | 26.30  | 2.626  |
| Oil and gas firms    | 10        | 27.00   | 30.00   | 28.60  | 1.264  |
| Sugar firms          | 10        | 22.00   | 30.00   | 27.80  | 2.485  |

Table 3 indicates the descriptive statistics of independent variables including their maximum minimum and mean values. According to the table at least 43% board members of the selected firms are INED’s while its maximum percentage is 81% and the mean INED’s percentage is 56%. The directors of the selected firms hold at least .03% (less than zero percent) shares while the maximum director’s shareholding is 21.4% in some firms although there is a trend that the managers of the selected firm hold 3.83 or 4% shares. Some selected firms have no foreign ownership as the minimum value of this variable is zero. The maximum foreign ownership is 18.3%. The average foreign ownership is about 2.94%. At least 26.4% shares of selected firms are held by block holders. The maximum block holding is 99.9% and the mean block holding is 75.7%. Finally the minimum value of the audit firm status indicates that some firms do not hire the big four audit firms for auditing purpose. The mean value which is .78 is a sign that majority of the selected firms prefer to get their accounts audited by big four audit firms.
Table 3: Descriptive Statistics (independent variables)

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board independence</td>
<td>50</td>
<td>0.43</td>
<td>0.81</td>
<td>0.56</td>
<td>.121</td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>50</td>
<td>0.03</td>
<td>21.4</td>
<td>3.84</td>
<td>5.10</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>50</td>
<td>0.00</td>
<td>18.3</td>
<td>2.94</td>
<td>4.62</td>
</tr>
<tr>
<td>Block holding ownership</td>
<td>50</td>
<td>36.4</td>
<td>99.9</td>
<td>75.7</td>
<td>16.9</td>
</tr>
<tr>
<td>Audit firm status</td>
<td>50</td>
<td>0.00</td>
<td>1.00</td>
<td>0.78</td>
<td>.418</td>
</tr>
</tbody>
</table>

The correlation matrix showing the inter correlation among the related variables is shown in table 4. The variable board independence correlation is .374 which is significant at 5% and shows a positive association between board independence and CG disclosure index. Managerial ownership correlation value is .059 which is not significant. The foreign ownership correlation value is also insignificant. Block holding ownership has a correlation value of .575 which is significant at 1% showing the positive association between these variables. Finally the variable audit firm status correlation is .171 which is not significant. Regression analyses are shown below in table 6. The board independence coefficient is positive and its significant value is .017 which shows that the CG disclosure is positively influenced by the number of independent non-executive directors in the board. The study of Samaha et al. (2012) and Barako et al. (2006) also showed that the CG disclosure level increases with the increase of INED’s in the board. So the hypothesis H1 is accepted. The second variable managerial ownership has negative coefficient but it is not statistically significant. This result does not prove the proposed impact of managerial ownership on CG disclosure and the hypothesis H2 does not hold true. Chau and Gray (2002) reported the same insignificant result of this variable. The third variable foreign ownership has positive coefficient which indicates that this variable positively affect the CG disclosure. Moreover the coefficient is also significant which leads to the acceptance of H3. The impact of block holder ownership on CG disclosure is also positive and significant. According to this the hypothesis H4 also holds true. Haniffa and Cooke (2002) and Samaha and Dahawy (2011) also indicated that block holding ownership lays a positive impact on CG disclosure. Finally the coefficient of audit firm status is also positive and significant. This result suggests that the disclosure level increase when the big four audit firms are employed. So the hypothesis H5 is also accepted. Al-Moataz and Hussainey (2012), Arcay and Vazquez (2005) also reported a positive impact of audit firm status on CG disclosure. For accessing the multicolinearity two tests named as VIF and tolerance are used. The VIF value should not be more than 10 and the tolerance value should not be less than .10. Table indicates that all these values are in the prescribed rage indicating that the absence of multicolinearity in the model.

Table 4: Correlation analysis

<table>
<thead>
<tr>
<th></th>
<th>CG disclosure index</th>
<th>Board independence</th>
<th>Managerial ownership</th>
<th>Foreign ownership</th>
<th>Block holding ownership</th>
<th>Audit firm status</th>
</tr>
</thead>
<tbody>
<tr>
<td>CG disclosure index</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board independence</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.374*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.059</td>
<td>.547**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.200</td>
<td>.244</td>
<td>.273</td>
<td>1</td>
</tr>
<tr>
<td>Block holding ownership</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.575**</td>
<td>.077</td>
<td>-.026</td>
<td>-.136</td>
</tr>
<tr>
<td>Audit firm status</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.171</td>
<td>.097</td>
<td>.043</td>
<td>-.024</td>
</tr>
<tr>
<td>N</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

**, Correlation is significant at the 0.01 level (2-tailed).
*, Correlation is significant at the 0.05 level (2-tailed).
Table 6: Regression analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>18.465</td>
<td>1.455</td>
<td>12.692</td>
</tr>
<tr>
<td>Board independence</td>
<td>5.296</td>
<td>2.132</td>
<td>.311</td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>-.071</td>
<td>.050</td>
<td>-.175</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>.116</td>
<td>.049</td>
<td>.260</td>
</tr>
<tr>
<td>Block holding ownership</td>
<td>.074</td>
<td>.013</td>
<td>.608</td>
</tr>
<tr>
<td>Audit firm status</td>
<td>1.113</td>
<td>.514</td>
<td>.226</td>
</tr>
</tbody>
</table>

Significant at 5% level of significance

Table 7: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.733</td>
<td>.537</td>
<td>.485</td>
<td>1.48265</td>
<td>1.984</td>
</tr>
</tbody>
</table>

The above table 7 shows the model summary. The R square value is .537 which indicates that more variation of the model is explained and it seems a good fitted model. For checking auto correlation Durbin Watson test is applied. This test shows no issue of auto correlation if its value ranges from 1.5 to 2.5. According to the table the value of this test is also in the prescribed range. Table 8 shows the ANOVA results. The F test value is 10.213 which is significant showing that equality of means does not exists.

Table 8: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>112.2</td>
<td>5</td>
<td>22.451</td>
<td>10.213</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>96.72</td>
<td>44</td>
<td>2.198</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>208.9</td>
<td>49</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Conclusion

This study was conducted to analyze the CG disclosure determinants of Pakistani manufacturing firms. The study used five independent variables to see their impact on CG disclosure. The study concluded that the variable board independence is an important determinant of CG disclosure as the disclosure level increases with the increase of INED’s in the board. The impact of managerial ownership on the CG disclosure is insignificant and its related hypothesis was rejected. The variable of foreign ownership should be considered as an important determinant of CG disclosure as it helps to enhance the CG disclosure of Pakistani manufacturing firms. The variable of block holding ownership result was also significant showing positive impact on CG disclosure. Finally the study concluded that the CG disclosure level of the selected firms increases when these firms employ the big four audit firms for auditing purpose. All the independent variables except managerial ownership are the important determinants of CG disclosure.

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APPENDIX 1

(Corporate governance disclosure items)

NOTE: If the answer of the any of the following disclosure items is found ‘YES’ (after searching the annual report) it is given the score 1 otherwise its score is considered zero. The total score generated by this way serves as CGD i.e. dependent variable.

1. There is a balance board consisting both executive and non-executive directors.
2. There is at least one independent director in the board.
3. Chairman of the board is non-executive director.
4. Chairman and CEO are two different persons.
5. Qualification and eligibility to act as a director is disclosed.
6. Firm has a vision and mission statement.
7. (It is responsibility of the board to ensure the preparation of these statements)
   1. Firm discloses internal control information.
10. Audit committee of the firm consists of three members and none of them is executive director.
11. Chairman of the audit committee is an independent director and is not the chairman of the board.
12. BOD has established HRM and remuneration committee.
13. Board has established remuneration committee.
14. Majority of the members of HRM committee are non-executive directors.
15. Majority of the members of remuneration committee are non-executive directors.
16. CEO is not the chairman of HRM and remuneration committee.
17. Firm discloses ownership structure details.
18. Firm indicates number of meetings held by board of directors.
19. Firm indicates the number of meetings held by audit committee.
20. Firm discloses changes in shareholding and ownership structure.
21. Firm discloses the statement to continue as ongoing concern.
22. Firm discloses the summary of key financial data of last six years.
23. Firm discloses nature, type and elements of related party transactions.
24. Firm discloses the statement of compliance with the code of corporate governance.
25. Firm discloses statement that financial statements fairly presenting its state of affairs.
26. The firm discloses the statement that proper books of accounts have been maintained.
27. Firm discloses the statement that appropriate accounting policies have been applied in preparation of financial statements.
28. Firm discloses the statement that IFRS have been followed in preparation of financial statements.
29. Firm discloses the statement as to the value of provident fund, gratuity and pension.
30. Firm discloses information about the pattern of shareholding.
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