Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.4, No.13, 2013

The Impact of Corporate Governance on Voluntary Information Disclosures of Quoted Firms in Nigeria: An Empirical Analysis

Yau M Damagum [1] Emmanuel Ib Chima [2*]
1. Department of Accounting, Faculty of Management Sciences, University of Abuja.
2. M.sc. Student, Department of Accounting, Post Graduate School, University of Abuja. Tel:
* E-mail of the corresponding author: bestnuel2007@yahoo.com

Abstract
Through annual reports, the company provides a lot of voluntary information which is very vital to stakeholders and in corporate governance. The main objective of this study is to empirically investigate the impact of corporate governance on voluntary information disclosures of quoted companies in Nigeria using data from 385 annual reports from a sample of 35 quoted companies during 1999 – 2009. The study also adopted Pre and Post approach to study the significant difference on information disclosures during pre and post corporate governance codes era in Nigeria. A content analysis of the annual reports of sampled companies was carried out with the use of a disclosure checklist developed by the researcher. Multiple regression is employed to test the hypothesis of the study. The study reveals that corporate governance has significant impact on financial reporting of quoted firms in Nigeria and that the level of voluntary disclosure has significantly improved after the introduction of corporate governance codes in Nigeria.
Keywords: Corporate governance, voluntary information disclosures, Disclosure index, financial reporting.

1. Introduction

In the 1990s, the importance role of corporate governance to financial reporting disclosures was ignored by most top management around the world but series of corporate collapse which occurred in early 2000 in developed and developing counties has led to researchers to have interest in the mechanisms of corporate governance and their contributions to the company (Wan Zanani, Shahnaz & Nurasyikin, 2008). In fact, the sudden demise of large, well-established companies such as Enron, WorldCom or Parmalat as well as significant financial reporting restatements at Shell, Xerox, Ahold and many others have shaken not only confidence in financial reporting, but into the financial system as a whole (Berndt and Leibfried, 2007). All these corporate failures have now made financial reporting to become a global issue. In Berndt & Leibfried (2007), financial reporting today is perceived no longer as a low-priority bookkeeping exercise, but a central function for directing a company under good corporate governance principles.

Information disclosure in annual reports comprises of both mandatory and voluntary disclosures. Mandatory disclosures are those statutorily required to be disclosed by companies while voluntary disclosures are added information in annual reports which are in excess of disclosure requirements and relates to freedom of managers to disclose such in the annual reports without any compulsion. The need for voluntary disclosures emanates from the fact that financial reports must be capable of meeting the needs of the various categories of users and also serves as a basis for investment decisions by investors and other stakeholders. Berndt and Leibfried (2007) opined that it has become evident that financial reporting is a core element of corporate governance within the past few years

On June 15, 2000, Securities and Exchange Commission (SEC) in collaboration with Corporate Affairs Commission (CAC) inaugurated a 17 member committee for setting up Corporate Governance codes for public companies in Nigeria, with the belief that the adoption of these codes by firms in Nigeria will improve corporate disclosures thereby enhancing transparency and accountability. In view of this importance of Corporate Governance, the first codes of corporate governance in Nigeria were issued in 2003. To strengthen shareholders and investors confidence on the financial reports laid before them for investment decision, several measures and principles of Codes of Best practices prescribed by Central Bank of Nigeria, (CBN), Securities and Exchange Commission, (SEC) and other regulatory bodies in Nigeria has been severally amended to date. In an effort to improve the financial reporting process, companies in Nigeria especially listed companies, are expected to comply with the established various Codes of Corporate Governance and to make adequate disclosures in their annual reports.

The sudden failure of several famous and large companies in Nigeria and globally have cast doubts on stakeholder's confidence on information disclosed by corporate entities. This widespread failure of corporate entities resulting from poor disclosures has necessitated the need for improvement in financial information disclosures by setting up good corporate governance structures.

In the Nigeria sector, empirical studies reveal that accounting reports of Nigerian companies have been found to be deficient over time (Wallace, 1988; Umoren, 2010). Adeyemi and Fagbemi (2010) in Chima (2012) highlighted that some cases of the failure of Nigerian Banks, the case of Lever Brothers (presently known as Unilever plc), African Petroleum, Cadbury Nigeria plc and host of others has been linked to poor financial reporting and weak corporate governance. CBN Codes, (2006) noted that the corporate failures in companies which had earlier enjoyed good reputation, has been severally criticized and seen as being a product of poor corporate governance. SEC (2007) pointed out that virtually all the reported cases of corporate failure both locally and internationally has been traced to poor corporate governance practices.

Globally, the users of corporate information have intensified their expectation for published corporate disclosure to meet their needs. However, such disclosures rarely meet such needs because of information asymmetry between the managers and the owners as well as other stakeholders. The managers are likely to use information at their disposal to pursue their own interests to the detriment of the owners. This has always led to an increase in the gap between what is expected by users and what is actually disclosed. This can be called the disclosure gap.

Motivated by the assertion that the adoption of corporate governance codes by Nigeria companies will improve corporate voluntary information disclosures and enhance financial reporting credibility of annual reports, this research contributes to the growing knowledge on corporate governance by empirically investigating the impact that Corporate Governance Codes for quoted companies in Nigeria has on voluntary disclosures. Also, the study adopted a pre and post approach to examine the extent of voluntary information disclosures by quoted firms in Nigeria.

Consequently, the objectives of this study are to:

- Evaluate the aggregate impact of Corporate Governance mechanisms on voluntary information disclosures of quoted firms in Nigeria as well as to investigate the relationship between each of the corporate governance variables on voluntary disclosure.
- Examine whether there is any difference on voluntary information disclosure by quoted firms in Nigeria before and after the introduction of the Codes of Corporate Governance in Nigeria.

According to Chima (2012), several groups of people have interest in company's affairs due to their investments or anticipated investments, hence understanding why firms disclose information as well as what affects the firms' voluntarily discloses will be very significant to them. Findings from this study will be significant to government, investors, regulatory bodies, researchers, accountants, stockbrokers, financial analysts and scholars as financial reporting is a useful mechanism for managers to communicate with outside parties.

The overall disclosure index generated from the checklist of this study and the factors influencing disclosure are expected to assist local and foreign investors in making more informed decisions.

This study will also help the management of quoted companies to assess their level of voluntary information disclosure using the disclosure index score generated by this research with a view of improving on their disclosure practices.

This research work is a contribution in the area of Corporate Governance and voluntary information disclosures. Hence, it will be significant to future researchers, academicians and the public.

1.2. Research Hypothesis

In Nigeria, the CBN code on corporate governance (2006) highlighted that poor corporate governance was one of the major factors for virtually all known cases of distress experienced by the financial institutions. In Ghofar and Sarasvati, (2009) corporate governance mechanisms are expected to reduce information asymmetry and opportunistic behavior of firms thus resulting to the need for more voluntary disclosures. According to Ho and Wong (2001), the impact of corporate governance on information disclosure may be complementary or it may be substantive. Hence, the following hypothesis;

H1: There is no significant impact of corporate governance mechanisms on voluntary information disclosures of firms quoted in the Nigerian Stock Exchange.

Several studies carried out to study the relationship between the type of information presented by a firm and the size of the Board of Directors has revealed divergent findings. Jensen (1993) believes that larger board of directors is less amenable to effective monitoring and easier control by the CEO. Ahmed, Hossain & Adams (2006); in their studies found that large board size reduces voluntary information contents. Based on this, we are led to state the following hypothesis:

H2: There is no significant relationship between board size and voluntary information disclosure of quoted firms in Nigeria.

Peasnell, Pope and Young, (2000) states that, independent non executive directors being senior managers, should be aware of the financial reporting issues in the company. In the study of Australian firms, (Lim, Matolcsy and Chow, 2007) argued that both inside and independent directors of Australia firms have incentives to disclose voluntary information to protect their reputation in terms of decision control, setting of executive compensation and searching for replacements for senior managers. Hence, our hypothesis is stated as follows:

H3: There is no significant relationship between board composition and voluntary information disclosure of quoted firms in Nigeria.

Directors are encouraged to have their own portion of ownership in the corporation. Jensen and Meckling, (1976) argued that agency conflicts between managers and shareholders may be reconciled when managers posses ownership interest in their company. This was also supported by Wan Zanani, et al, (2008) which believes that the rationale behind directors, especially non executive directors possessing an ownership interest in their company is to reduce a gap between director's interest and the interest of the shareholders as well as the corporation. Hence, we are led to state the following hypothesis;

H4: There is no significant relationship between Directors share ownership and voluntary information disclosure of listed firms in Nigeria.

Corporate governance is an important element in monitoring the process of financial reporting system (Wan Zanani, et al, 2008). The CBN Codes (2003), describes Corporate Governance as a mechanism for building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosures for corporate entities. In Umoren,(2010), it was highlighted that the level of reliable and adequate information by quoted companies in developing countries has been weak and regulatory bodies are not doing much in ensuring compliance to existing accounting standards. Previous studies reveal that the financial reporting practices in Nigeria have been deficient (Umoren, 2010; Wallace, 1988; World Bank, 2004). Based on this, we will test the following hypothesis;

H5: Voluntary information disclosures after the introduction of corporate Governance codes are not significantly different from voluntary information disclosure before the introduction of corporate governance codes in Nigeria.

The scope of financial reporting disclosures in this research in limited to voluntary information disclosures by companies quoted on the Nigeria Stock Exchange. The study covered eleven (11) years (1999 to 2009) which is further segmented into two era; Pre - Corporate Governance codes era (1999 - 2003) and post Corporate Governance Codes era (2005 - 2009). The remaining parts of the research are structured as follows:

In section two we reviewed several literatures on corporate governance and financial reporting disclosures and their findings reported. The methodology adopted to lend empirical weight to the findings of this research work was discussed in section three. Section four is on results from data analysis and discussion of results. The last section is where the research study is summarized, conclusions inferred from the findings and policy implications of the study are discussed.

2. Information Disclosures and Corporate Governance Mechanisms.

A lot of studies have indicated a substantial increase in discussions in annual report and some of the studies reveal poor and inconsistent information disclosures in accounts of companies. The experience from the case of Enron, Worldcom, Pamalet, Cadbury and other big companies is that it has caused the government and regulatory bodies to work towards ensuring the restoration of public confidence in corporate governance as well as in the credibility of financial statements. According to Chima,(2012), a good financial report must not only be capable of providing users with mandatory disclosures but as well go extra mile in providing voluntary information disclosures so as to meet the needs of the various categories of users. Providing information on which sound investment decision can be made is the goal of all disclosure requirements so as to reduce uncertainties and understand as much as possible the values of the company as can be inferred from its reports (Glassman, 2003). Fama and Jensen (1983) highlights that financial reports are the most important source of information for various stakeholders who use then for investing, controlling and regulatory decisions. According to Whittington, (1993), financial reporting provides the means to give adequate information about the economic and financial corporate situation so that it will be able to reduce the information asymmetries between the stakeholders

In Klai and Omri (2011), it has been strongly debated that there is a relationship between corporate governance and the financial information reported. Financial reporting is a crucial element necessary for the corporate governance system to function effectively. Section 3.16 of the CBN Codes (2006), states that transparency and adequate disclosure of information is the key attribute of corporate governance. Corporate firms can easily raise capital if the firm has a good reputation with regards to financial reporting as Levitt (2000) opined that good corporate governance is recognized to influence the financial reporting process and will go a long way in restoring investor's confidence. Wang & Zezhen (2011) opined that voluntary disclosures replenish compliance disclosures and this have a way of improving the financial reporting process.

Several mechanisms enshrined in the corporate governance codes primarily rests in the hands of the board of directors. Adams et al (2009) reveals that the fallout from the collapse of Enron, Worldcom, and Parmalat scandals shows that the directors of Enron and Worldcom, in particular, were held liable for the fraud that occurred: Enron directors had to pay $168 million to investor plaintiffs, of which $13 million was out of pocket (not covered by insurance); and Worldcom directors had to pay $36 million, of which $18 million was out of pocket. The consequence of these scandals and ongoing concerns about corporate governance shows that the boards have been at the center of the policy debate concerning governance reform and the focus of considerable academic research Adams et al (2009). According to Hongxia & Ainian (2008) firms with high managerial ownership have high level of voluntary disclosure as the managers will be more concerned about the benefit of shareholders, thereby leading to a reduction in agency cost and increase the voluntary disclosures. Empirical studies on board size and financial reporting includes Dechow et al. (1996) which suggested an average board size of Nine Directors subject to SEC enforcement actions as being adequate for a firm. Jensen 1993 and Yermack (1996) found in their studies that an overcrowded Board is likely to be an ineffective board. Corporate governance codes recommends that board size should not be too big and an ideal size of five to sixteen depending on the size and diversification of the firm. Jensen (1993) believes that large boards tend to be more inclined to courtesy and political maneuvers instead of being fair and truthful.

Board composition has been defined from various perspectives, including race/ethic background, nationality, gender and age, educational background, industry background, and relative experience (Kang, Cheng & Gray, 2007). Several studies found that there is a positive correlation between the proportion of independent directors and the amount of voluntary information disclosed by firms in their annual reports (Xiao and Yuan, 2007; Cheng & Courtenay, 2006; Chen and Jaggi, 2000; Lim et al, 2007). Cheng and Courtenay (2006) observed that firms with high proportion of independent directors will have higher level of information disclosure than firms with lower level of directors. Some studies show an inverse relationship between non executive directors and information disclosure. Ho and Wong, (2001) opined that voluntary information disclosure reduces when the proportion of independent board increase.

2.1 Regulatory Framework for Financial Reporting in Nigeria.

In Nigeria, the frameworks of financial reporting are the Companies and Allied Matters Act, CAMA (1990), Securities and Exchange Commission Act, SECA (2003), Corporate Governance codes and pronouncements issued by Nigerian Accounting Standard Board (NASB) now known as Financial Reporting Council of Nigeria (FRCN) amongst others.

In 2003, a committee led by Peterside Atedo developed corporate governance codes of best practices for public companies in Nigeria. The Organisation for Economic Cooperation and Development (OECD) 1999 defines corporate governance as "a system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedure for making decisions on corporate affairs. By doing this, it also provides the structure through which the company's objectives are set and the means of attaining those objectives and monitoring performance''.

The emergence of mega Banks in the post consolidation era prompted the CBN to issue a new code of CG for Banks in 2006. In the CBN Codes (2006), corporate governance is defined as a system by which corporations are governed and controlled with a view to increasing shareholders value and meeting the expectations of the stakeholders.

Also to address the weakness of the 2003 code, the Nigeria Securities and Exchange Commission in the year 2009 published the revised code of corporate governance for best practices for public companies in Nigeria. The SEC is given the power to regulate and supervise the affairs of listed companies as well as to discipline them through its powers to revoke their registration.

The CAC is also empowered to cause an investigation to be carried out on companies when such company fails to give accurate information in respect to the affairs of the company.

2.2 Underlying Theory

Several theories have been developed on why firms should disclose voluntary information and the need to provide a detailed financial report by those entrusted in the management of company's affairs. The entity theory, the proprietary theory, institutional theory, political economy theory, resource dependence theory, stakeholders theory and the agency theory all agree that all companies reveal information mostly for traditional user groups and for investment decisions.

The agency theory applies to the relationship between managers and equity holders as well as explicit recognition of other stakeholders of the firm. According to Jensen and Meckling (1976), agency theory provides a framework linking information disclosure behaviors to corporate governance. The agency theory posits that in the presence of information asymmetry the agent (the directors and managers) is likely to pursue interests that may hurt the principal, or shareholders (Ahmadu, Aminu & Tukur, 2005). Hence, the agency theory is the underpinning theory for this research work and fundamental theory upon which this research study is based as it provides a framework linking information disclosure behaviors to corporate governance.

3. Research Methodology and Design

This research work is designed to use the content analysis of annual reports of a cross sectional companies to empirically determine the impact of corporate governance mechanisms on voluntary information disclosures of quoted companies in the Nigeria Stock Exchange. This research study relies on data from annual report and accounts of quoted companies in Nigeria as a source of data collection and through the construction of a disclosure checklist to derive a disclosure index score. The statistical data was analyzed using SPSS 16.0 version. Three corporate governance variables – board size, non executive directors in proportion to the board size and directors shareholdings, were used to empirically investigate the impact of corporate Governance on information disclosures by firms in Nigeria. This approach has been used by other researchers to measure the extent of information disclosures by quoted companies in both developed and developing countries (Raffournier, 1995; Wallace, 1988; Cook, 1989; Meek et al, 1995;Umoren, 2010; Umoren & Okougbo, 2011).

3.1 Sample Selection and Data Collection

The population for the analysis is all the companies listed in the Nigerian Stock Exchange as at year 2009. The sample size was determined using the formula in Miaoulis & Michener (1976). The formula is stated thus:

$$n = N/1 + N (e) 2; \quad (1)$$

Where: n = sample size, N = Population size, e = level of precision. Thus: n = 219/1+219(0.16)2 = 33.1496 companies. The simple random sampling technique of all the quoted companies was used. The lottery method was applied in selecting the 35 companies from the population of 219 companies quoted on the Nigeria Stock Exchange as at 31st December, 2009. A total of 385 annual reports and accounts were used.

For the purpose of this study, the Annual Reports of sampled companies as well as Fact Books from the NSE was used to collect data.

3.2 Disclosure Checklist and Scoring Criteria

The disclosure checklist was developed after a review of previous checklist used by previous reseachers. These includes the checklist used in Khodadadi (2010), Clemente & Labet (2009), Meek et al (1995), Umoren & Okougbo (2011), Zhou & Panbuyueng, (2008), Lim et al (2007), Wang & Zezhen (2011). The disclosure checklist is made up of 25 information items (Appendix 1). It covered voluntary disclosures in such areas as financial, non financial as well as strategic information disclosures. Each annual report was carefully studied and scored based on the checklist developed by the researcher. This methodology has been used by several researchers over time as an adequate model for analyzing financial information disclosure in annual reports of companies (Cooke, 1989; Chow & Wong – Boren, 1987; Wallace, 1988; Raffournier, 1995; Umoren, 2010; and Wang & Zezhen, 2011).

The two important issues in previous research on the scoring of disclosure items is whether the disclosure item should be weighed or un weighed. Barako, (2007) stressed that the weighed approach may introduce a bias towards a particular user orientation, while the unweighed approach dwells on the assumption that all items are equally important which might not be true. The weighed scoring criterion has been criticized by some researchers. Using the weighed approach leads to one class of user attaching different weight to an item than another user (Chavent et al (2006). The unweighed index helps in avoiding any bias arising from weighing such as making any particular disclosure more important than the other. The unweighed approach is also not without its own criticisms. Raffournier,(1995) shows that a methodological problem inherent in this type of research is that every item may not be necessarily be relevant.

This research study used unweighted index to avoid any bias arising from weighing such as making a particular disclosure more important than the other. Each item scores one (1) if disclosed in the annual reports and zero (0) if otherwise. It is based on the assumption that all items are equally important and since different users pay attention to different information, we decided not to attach importance to the different disclosures or weigh their importance.

3.3 Model Specification

The Regression equation empirical model for this research is given as:

$$FRDINDEX = \beta o + \beta 1BS + \beta 2\ BCnEx + \beta 3DirSHARE + e \quad (2)$$

$$FRDINDEX = \beta o + \beta 1BS + \beta 2\ BCnEx + \beta 3DirSHARE + \beta 4FS + \beta 5PFT + e \quad (3)$$

FRDINDEX = Financial Reporting Disclosure Index.

BS = Board size (the number of Directors on the board of each company).

BCnEx = Proportion of the non executive directors to the total board size.

DirSHARE = proportion of the Directors shareholding of the company's issued share capital.

FS = Firm size, PFT = Profitability,

$$FRDINDEX = \frac{\sum i{=}1\ nj\ xij}{Njj} \quad (4)$$

4. Results

A total of 385 annual reports of 35 companies that made up the sample size were analyzed. The eleven sectors that made up the sample size are: Agriculture, Banking, Breweries, Chemical and Paints, Conglomerates, Construction, Food / Beverages and Tobacco, Healthcare, Industrial and Domestic Products, Insurance and Oil and Gases. The relationship between the two variables was estimated using multiple regression models and the hypothesis tested using T – test statistics and one way ANOVA. The results from the data are analyzed below.

Table 1: Correlations matrix

	FRDI	BS	BCnEx	DSH	FS	PFT
Pearson correlation FRDI		.269	-.276	-.075	.462	.390
BS	.269		-.143	-.176	.519	.446
BCnEx	-.276	-.143		-.072	-.195	-.156
DSH	-.075	-.176	-.072		-.119	-.088
FS	.462	.519	-.195	-.119		.679
PFT	.390	.446	-.156	-.088	-.679	
Sig. (1 tailed) FRDI		.000	.000	.072	.000	.000
BS	.000		.002	.000	.000	.000
BCnEx	.000	.002		.079	.000	.001
DSH	.072	.000	.079		.010	.042
FS	.000	.000	.000	.010		.000
PFT	.000	.000	.001	.042	.000	
N (listwise)	385					

Source: Regression output

The table 1 above shows the linear relationship amongst the independent variables. Board size has a direct relationship with FRDI with a weak correlation of 0.269. Proportion of non executive directors and directors' shareholdings has an inverse relationship with FRDI with a negative correlation of -0.276 and -0.075 respectively. Firm size has a direct linear relationship with FRDI with a moderate correlation of 0.462 while profitability has a direct relationship with FRDI with a weak positive correlation of 0.390.

Table 2: Model Summary^b

Model	R	R square	Adjusted R square	Std. Error of the estimate	Sig. F change	Dubin Watson
1	.364a	.133	.126	3.36386	.000	1.652

Source: Regression output

In table 2 above, the coefficient of multiple determination (R2) shows that 13.3% of the variation in disclosure index could be explained by the predictors variables. The adjusted R2 which represents the goodness of fit of the data shows that 12.6% of the variation in disclosure index could be explained by the predictor variables. The remaining could be due to other factors.

Table 3: ANOVA^b

Model 1	Sum of squares	Df	Mean square	F	P- Values
Regression	658.52	3	219.51	19.40	.000a
Residual	4311.22	381	11.32		
Total	4969.74	384			

Source: Regression output

The output in Table 3 above shows the F statistics at 5% significance level for assessing the overall significance of the analysis of variance of the regression and residuals.

Table 4: Model Summary[b]

Model	R	R square	Adjusted R square	Std. Error of the estimate	Sig. F change	Dubin Watson
2	.510a	.260	.250	3.11487	.000	1.838

Source: Regression output
a. predictors: (constant), BS, BCnEx, DSH, FS, PFT.
b. Dependent Variable: FRDI

Table 4 shows the model summary of the independent variables including firm size and profitability. The correlation coefficient (R) of 0.510 tells us that the predictor variable has a moderate relationship with FRDI. The coefficient of multiple determinations is 26.0% while the adjusted R2 which represents the goodness of fit of the data shows that 25% of the variation in FRDI could be explained by the predictors variables.

Table 5: ANOVA[b]

Model 1	Sum of squares	Df	Mean square	F	P- Values
Regression	1292.52	5	258.504	26.64	.000a
Residual	3677.22	379	9.702		
Total	4969.74	384			

Source: Regression output
a. predictors: (constant), BS, BCnEx, DSH,FS, PFT.
b. Dependent Variable: FRDI

The output in Table 5 above shows the F statistics at 5% significance level for assessing the overall significance of the analysis of variance of the regression and residuals.

Table 6: Coefficents[a]

Model 1	Constant	BS	BCnEX	DSHARE	FSIZE	PFT
Standardized coefficient (B)	10.59	.006	-.193	-.037	.327	.131
Standard Error	.962	.060	1.088	1.880	.000	.000
Sig.	.000	.006	.000	.412	.000	.032

Source: Regression output

Table 6 above shows the output of the correlation coefficients of the explanatory variables on the explained variable from the model. Apart from director's shareholding, other variables show significant values at 5% level of significance.

Table 7: Descriptive statistics

Observation	N	Minimum	Maximum	Mean	Std. Deviation
Pre CGc disclosures	175	1.00	16.00	6.3657	2.72134
Post CGc disclosures	175	2.00	19.00	9.7029	3.72360
Valid (N) listwise	175				

Source: Regression output

From Table 7, the pre corporate governance era shows a minimum disclosure of 1.00, maximum disclosure of 16.00 and a mean disclosure of 6.3657. However, the post corporate governance era shows a minimum value of 2.00, maximum disclosure of 19.00 and a mean disclosure of 9.7029.

Table 8: Independent Samples Test

Levene's Test for Equality of Variance	T – test for Equality of Means				
	F	P-Value	T	Df	Sig. (2 tailed)
Observations					
Equal Variance assumed	21.486	.000	-9.572	348.0	.000
Equal Variance not assumed			-9.572	318.62	.000

Table 9: ANOVA

Observations	Sum of squares	Df	Mean square	F	P- Values
Between Groups	974.45	1	974.45	91.62	.000a
Within Groups	3701.14	348	10.64		
Total	4675.59	349			

Source: Regression output

Table 8 above shows the p- values of 0.000 which is significant at 5% level of significance. Also table 9 shows the F statistics at df (1,348) is 91.62 with a p – value of 0.000 which is also significant.

Table 10: Collinearity Statistic

Model	Tolerance	Variance inflation factor (VIF)
BS	.699	1.431
BCnEx	.948	1.055
DSH	.957	1.045
FS	.474	2.108
PFT	.526	1.901

Source: Regression output

To assess for the presence of multicollinearity, Tolerance Value and the Variance Inflation Factor (VIF) are examined. In Chavent et al, 2006; Field, 2006; Umoren, 2010, multicollinearity does not constitute a problem when the VIF does not exceed 10 and the Tolerance Value of each of the variable is above 0.2. The test results as shown in Table 10 below shows that there is no multicollinearity problem among the independent variables.

The Durbin–Watson statistic is a test statistic used to detect the presence of autocorrelation in the model. The Durbin-Watson statistic denoted by the letter d ranges in value from 0 to 4. If the Durbin–Watson statistic is substantially less than 2 or toward 0, this indicates positive autocorrelation, that is, there is evidence of positive serial correlation (Durbin and Watson 1951). Durbin & Watson, (1951); Wikipedia Encyclopedia, (2009), highlights that there may be serious cause for alarm if the test is less than 1.0. The Durbin Watson output from the model is 1.838, DL is 1.72 and DU is 1.82 (Table 4). This shows that there is no presence of autocorrelation in the model.

4.1 Discussion of Findings

The results in Table 2, shows that there is a significant impact of corporate governance on financial reporting disclosure of quoted firms in Nigeria. The p – value of 0.000 is less than the significant value of 0.05. Furthermore, with ANOVA statistics at 5% level of significance from table 3, the results of F- test shows that FCAL is 19.399, while the critical value of FTAB at df (3,381) is 2.60. Hence the Null hypothesis is rejected and the conclusion that there is a significant impact of corporate governance on financial reporting disclosures of quoted firms in Nigeria. The coefficient of multiple determination (R2) shows that 13.3% of the variation in financial reporting disclosures could be explained by the predictors. The adjusted R2 shows that 12.6% of the variations in the explained variable could be explained by the predictors. The introduction of control variables in the model shows that other factors; apart from corporate governance variables also has impact on information disclosure. The result from table 4 shows that 26% of the variation in financial reporting disclosures could be explained by the predictors. The p – value of 0.000 is less than 0.05 showing that there is a significant impact of corporate governance on financial reporting disclosure of quoted firms in Nigeria. This is further validated with the result from the ANOVA statistics at 5% level of significance. From table 5, the results of F- test shows that FCAL is 26.673, which is > the critical value of FTAB of 2.21 at df (5,384). Hence, the conclusion that corporate governance has significant impact on financial reporting. Unlike the findings in Wang and Zezhen (2011) which found out that corporate governance is not an important tool in improving voluntary disclosures in China, this result agrees with the findings in Hongxia & Ainian (2008), Clemente & Labert (2009) and Umoren, (2011).

The correlations matrix in table 1 shows that voluntary information disclosure has a direct relationship with board size, firm size and profitability. The correlation values are 0.269, 0.462 and 0.390 respectively. In table 6, the t- test for board size shows a sig value of .000 which is less than 0.05. The Null hypothesis is rejected and we conclude that there is a significant relationship between board size and financial reporting disclosures. This is in agreement with the conclusions of (Monks & Minnow, 1995; Lipton & Lorsch, 1992; Umoren, 2010).

Table 6 shows a sig value of .000 for board composition. However, the correlations matrix in table 1 however shows a negative correlation value of -0.276 for the relationship between Board compositions as it relates to non executive directors and voluntary information disclosure. This shows that there is an inverse relationship between the proportions of non executive directors. The coefficient in table 6 shows that increasing the proportion of non executive directors will lead to a decrease in voluntary disclosures. The t – test shows a value of 0.000 which is less than the significant value of 0.05. The Null hypothesis is rejected and we conclude that

there is an inverse significant relationship between board composition and voluntary information disclosures. This agrees with the findings in Ho & Wong, 2011; Zhou & Panbunyuen, 2008; Umoren, 2010.
The correlation in table 1 and 6 shows that Directors shareholding of the companies issued share capital is insignificant in determining the voluntary information disclosure pattern of Nigeria companies. The t – test result shows a value of 0.075 which is greater than the significant value of 0.05. The Null hypothesis is accepted and we conclude that there is no significant relationship between director's shareholding and voluntary information disclosures in Nigeria.
The results from the t- test shows that only board size has a positive value while board composition and directors shareholding has negative values. This also reaffirms the findings in Akhtaruddin et al (2009), Umoren, (2010) that board size is the only statistical corporate governance variable that has significance on voluntary information disclosure in Nigeria. Firm size and profitability however shows a direct relationship with financial reporting disclosures with a value of 0.462 and 0.390 respectively. This agrees with previous findings that larger firms disclose more information than smaller ones.
In table 7, the disclosures before the introduction of codes of corporate governance a mean disclosure value of 6.365 while the disclosure after the introduction of codes of corporate governance shows a mean disclosure value of 9.7029. This shows that voluntary information disclosures for the pre and post corporate governance era differ. Also, from the result of independent sample test and ANOVA in tables 8 and 9 used in testing the hypothesis the p value of $0.000 < 0.05$ and the F statistics shows that the FCAL of 91.622 is > the value of FTAB of 3.34 at df (1,348). The Null hypothesis is rejected and we conclude that financial reporting disclosure after the introduction of corporate governance is significantly different from the disclosure before the introduction of corporate governance codes in Nigeria. This can also be seen in the empirical result as the disclosure index score rose from 7.4 in 1999 to 15.525 in 2009. This shows a significant improvement in financial reporting after the introduction of CG codes.
The results from the multicollinerity test conducted with the use of Tolerance test and Variance Inflation test shows that there is an absence of multicollinerity among the explanatory variables (Table 10). Similarly, the Autocorrelation test carried out with the use of Durbin Watson computed figures and Durbin Watson Tables reveals the absence of autocorrelation in the model.

5. Summary of Findings

This study empirically investigates the impact of corporate governance mechanisms on voluntary information disclosures of listed firms in Nigeria from 1999 to 2009 using three hundred and eighty five annual reports from thirty five companies. The corporate governance variables used are board size, proportion of non executive directors on the board and the director's shareholdings. A multiple regression model was developed to test the hypothesis formulated at 5% level of significance. The result shows that corporate governance mechanisms have a significant impact in increasing voluntary information disclosures of quoted firms in Nigeria. The result also reveals that board size is significant in influencing the extent of voluntary information disclosures of firms in Nigeria. The statistical output reveals that the average board size of Nigerian listed companies has been 9.3403. The result also reveals that the proportion of non executive directors of Nigerian companies is about 67% and has an inverse relationship with voluntary information disclosure while director's shareholding is about 4% and has no significant relationship with information disclosure. The regression results also confirm previous findings that firm size and profitability are other companies' attributes that has impact on information disclosure of Nigeria companies.

5.1 Conclusion and Recommendations

Firstly, the introduction of codes of corporate of best practices has significantly improved voluntary information disclosures of firms in Nigeria. The result shows that corporate governance mechanisms have an aggregate impact on voluntary information disclosure of quoted firms in Nigerian. Secondly, we can conclude that board size is one of the major elements of corporate governance that influences voluntary disclosures of Nigerian listed firms. Thirdly, apart from the corporate governance variables, the study confirms that firm size and profitability also have a significant relationship with information disclosure.
Based on the empirical findings of this research, the following recommendations are made;
The empirical result shows that corporate governance mechanisms have aggregate positive impact on voluntary information disclosures. Hence the study recommends that reviews of the corporate governance codes be sustained. We however argue that the proliferation of different corporate governance codes in Nigeria might make it difficult for firms to comply due to contradictions amongst the numerous codes. This study thus recommends that all the differences in all the various corporate governance codes be harmonized for effective implementation and compliance with a view of improving voluntary disclosures.
The empirical findings also show an increase in voluntary disclosure at an average board size of 9.39. We therefore recommend that the average board size of quoted companies in Nigeria should remain as prescribed by

SEC.
Empirical result also shows that firm size has a significant impact on voluntary information disclosure, meaning that larger firms have the tendency to disclose more voluntary information than smaller firms. This means that some relevant information needed for investment decision might not be disclosed by some smaller firms because of the firms' size. We therefore recommend to regulatory authorities in Nigeria for a review of mandatory disclosure requirement with a view of making some voluntary disclosures mandatory irrespective of the firms' size.
This research used only three corporate governance variables to study voluntary information disclosures in Nigeria. Further research could be carried out by including more corporate governance variables such as Audit committee characteristics, auditor's reputation etc to study their impact on voluntary disclosures.
Empirical result from this study shows an average board size of nine (9) directors. Since there is a relationship between board size and information disclosure, further research could be carried out to study the optimal board size that will enhance information disclosure of quoted companies in Nigeria.
This study used thirty five companies which covered only eleven sectors of companies quoted in the Nigerian Stock Exchange and did not study the impact of corporate governance mechanism on information disclosure on sectoral classification. Further research can be carried out in this area with the companies being classified sectorally.
On 3rd September, 2010, the Nigerian Accounting Standard Board (NASB) now referred to as Financial Reporting Council of Nigeria (FRCON) announced a staged implementation of International Financial Reporting Standard (IFRS) with the expectation that all publicly quoted entities are to implement IFRS commencing from January 2012 and ending January 2014. The adoption of IFRS – a guideline created by International Accounting Standard Board (IASB), is intended to strengthen the financial reporting frameworks of firms in Nigeria. Further research could be carried out on both voluntary and mandatory disclosures of quoted firms in Nigeria with a view of ascertaining the ability of IFRS to envelop other voluntary disclosures.
.

References

Adams, R. B., Hermalin, B. E. & Weisbach, M.S. (2009). The Role of Board of Directors in Corporate Governance: A Conceptual Framework and Survey. Charles A Dick Fisher College of Business Working Papers No. 228/2009.

Adeyemi, B. S. & Fagbemi, T. O. (2010). Audit Quality, Corporate Governance and Firm Characteristics in Nigeria. International Journal of Business and Management, 5(5):169-17.

Ahmadu, S; Aminu, M. & Tukur, G. (2005). Corporate Governance Mechanisms and Firm Financial Performance in Nigeria. AERC Research paper, 149, African Economic Research Consortium, Nairobi.

Ahmed, K., Hossain, M. & Adams, M. (2006). The Effects of Board Composition and Board Size on the Informativeness of Annual Accounting Earnings. Corporate Governance: An International Review, 14 (5): 418-431.

Akhtaruddin, M, Hossain, M.A, Hossain, M. and L. Yao.(2009) Corporate Governance and Voluntary Disclosure in Corporate Annual Reports of Malaysian Listed Firms. Journal of Applied Management Accounting Research,7 (1).

Barako, D. G. (2007). Determinants of Voluntary Disclosures in Kenyan Companies Annual Reports. African Journal of Business Management, 1(5):113-128.

Berndt,T. & Leibfried, P. (2007). Corporate Governance and Financial Reporting. Corporate Ownership and Control, 4(4) Summer : 397-400.

CBN (2003) Codes of Corporate Governance for Banks and other Financial Institutions in Nigeria.

CBN (2006) Codes of Corporate Governance for Banks in Nigeria - Post Consolidation Era.

Chavent, M., Ding, Y., Fu, L., Stolowy, H. & Wang, H. (2006). Disclosure and Determinants Studies: An Extension Using the Divisive Clustering Method. European Accounting Review, 15(2):181-218.

Cheng, C. & Courtenay, M. (2006). Board Composition, Regulatory Regime and Voluntary Disclosure. The International Journal of Accounting, 41(3):262-298.

Chen, C. & Jaggi, B. (2000). Association Between Independent Non-Executive Directors, Family control and Financial Disclosures in Hong Kong. Journal of Accounting and Public Policy, Vol. 19(4)285-310.

Chima, E.I. (2012). The Impact of Corporate Governance on Financial Reporting Disclosures of Quoted Firms in Nigeria. An Unpublished M.Sc. Thesis. Department of Accounting, Post Graduate School, University of Abuja

Chow, C. W. & Wong – Boren. A. (1987). Voluntary Financial Disclosure by Mexican Corporations. The Accounting Review, 62 (3):533-541.

Clemente, A.G. & Labat, B. N (2009). Corporate Governance and Voluntary Disclosures: The Role of Independent Directors on the Board of Listed Spanish Firms. Spanish Association of Accounting and Management.

Cooke, T. E. (1989). Disclosure in the Corporate Annual Reports of Swedish companies. Journal of Accounting and Business Research, 19(74):113-124.
Dechow, P.M. Sloan, R.G. and Sweeney, A.P. (1996). Causes and Consequences of Earnings Manipulation: An Analysis of Firms Subject to Enforcement Actions by the SEC. Contemporary Accounting Research (Spring),13(1):1-36
Donaldson, L. (1990). The Ethereal Hand: Organisational Economics and Management Theory. Academy of Management Review, 15(3): 369 – 381.
Durbin, J and G.S. Watson (1951): "Testing for serial correlation in Least Squares Regression". Biometrika, 38:159-177.
Durbin, J. (1970): "Testing for Serial Correlation in Least Square Regression when some of the Regressors are Lagged Dependent Variables". Econometria, 38: 410-421.
Eisenberg, T. S., Sundgren, & Wells, M. (1998). Larger Board Size and Decreasing Firm Value in Small Firms. Journal of Financial Economics, 48(1),35-54.
Fama, E.F. (1980). Agency Problems and the Theory of The Firm. Journal of Political Economy, 88(2):288-307
Fama, E.F. & Jensen, M. C. (1983). Separation of Ownership and Control. Journal of Law and Economics, 26: 301-325
FASB, (2008). http//www.fasb.org/intl/convergance_iasb.shtm
Field, A. (2006). Discovering statistics using SPSS for windows. London. Sage publications.
Forker, J. (1992). Corporate Governance and Disclosure Quality. Accounting and Business Research, 22(86):111-124.
Ghofar, A. & Sarasvati. E. (2009). Financial Reporting Problems: The Analysis of Quality of Disclosure and the Measurement System of the Traditional Accounting. International Symposium on Finance and Accounting Malaysia.
Glassman, C.A.(2003). Obstacles to Good Financial Reporting. Speech by U.S Securites Exchange Commission. American Enterprise Institute. Washington DC .
Ho, S. & Wong, K. S. (2001). A study of The Relationship between Corporate Governance Structures and the Extent of Voluntary Disclosure. Journal of International Accounting, Auditing & Taxation, 10(2)139-156
Hongxia, L. & Ainian , Q. (2008). Impact of Corporate Governance on Voluntary Disclosure of Chinese Listed Firms. Retrieved from www.ssrn.com
IASB (2006). Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information, Discussion Paper, Retrieved from www.iasb.org.
Jensen, M. (1993). The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. The Journal of Finance, 25(3)831-873
Jensen, M. & Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Costs, and Corporate governance. Journal of Financial Economics, 3:305-360.
Kang, H., Cheng, M. & Gray, S. j. (2007). Corporate Governance and Board Composition: Diversity and Independence of Australian Boards. Journal of Corporate Governance, 15(2)194-207
Khodadadi, V, Khazami, S. and Aflatooni, A. (2010). The effects of Corporate Governance structures on the extent of Voluntary Disclosures in Iran. Business Intelligence Journal,3(2):151-164.
Klai, O. & Omri, A. (2011). Corporate Governance and Finnancial Reporting Quality. The case of Tunisian Firms. International Business Research,4(1):158-167. Downloaded from www.ccsenet.org/ibr.
Levitt, A. (2000). Renewing the Covenant with Investors. Speech at New York University Center for Law and Business. http://www.sec.gov/news/speeches/spch370.htm
Lim, S, Matolcsy, Z, and Chow, D. (2007). The Association Between Board Composition and Different Types of Voluntary Disclosures. European Accounting Review,16(3):55-583.
Lipton, M. & Lorsch, J.W. (1992). A Modest Proposal For Improved Corporate Governance. Business Lawyer, 48:59-77.
Meek, G. C., Roberts, B. and Gray, J. (1995). Factors influencing voluntary annual report disclosures by U.S., U.K. and Continental European multinational corporations. Journal of International Business Studies, 26(3):555-572.
Miaoulis, G and Michener, R. D (1976). An introduction to sampling, Dubuque, Iowa, Kendall/Hunt publishing company.
Monks, R.A.G. & Minow, N. (1995). Corporate Governance on Equity Ownership and Corporate Value. Journal of Financial Economics, 20:293-315.
Norwani, N. M ., Mohamed, Z. Z. & Chek, I.T (2011). Corporate Governance Failure and its Impact on Financial Reporting Within Selected Companies. International Journal of Business and Social Science,Vol.2
OECD (1999): "Principles of Corporate Governance", http://www.encycogov.com/

Peasnell, K., Pope, P. & Young, S. (2000). Accrual Management to Meet Earnings Targets: UK Evidence Pre- and Post-Cadbury. British Accounting Review, 32, (Elsevier):415-445.
Raffournier, B. (1995). The Determinants of Voluntary Financial Disclosure by Swiss Listed Companies. European Accounting Review, 4(2):261-280.
Roberts, C., Weetman, P. & Gordon, P. (2002). International Financial Accounting: A Comparative Approach (2nd Edition). London: Pearson Education Limited.
SEC (2003) Code of Corporate Governance for listed Companies in Nigeria. www.sec.gov.ng
SEC (2006) Code of Corporate Governance for listed Companies in Nigeria. www.sec.gov.ng
SEC (2009) Code of Corporate Governance for listed companies in Nigeria.www.sec.gov.ng
SEC (2007). A seminar Paper on "The Incidence of Inaccurate Corporate Financial Reporting in Nigeria Capital Market: The Role of Securities and Exchange Commission in Preventing Future Occurrences", Ibadan. Shareholders association, Ibadan.
Uadiale, O. M. (2010). The Impact of Board Structure on Corporate Financial Performance in Nigeria. International Journal of Business Management. 5(10):155-166.
Umoren , A. O. (2010). Accounting Disclosures and corporate Attributes in Nigeria Listed Companies. Unpublished Thesis Work. Dept. of Accounting, Convenant University , Ota.
Umoren , A. O. & Okougbo, P. (2011). Corporate Governance, Company Attributes and Voluntary Disclosures: A study of Nigeria Listed Companies. International Journal of Research in computer Applications and Management. 1(2) April.
Vafeas, N. (2000). Board Structure and The Informativeness of Earnings. Journal of Accounting and Public Policy, 19:139-166.
Vasques, F. (2006). Governance Practices and Transparency in Spain. Downloaded from efflora@usc.es. http://venus.unive.it/bauhaus/Flora Muino.
Wallace, R. S. O. (1988). Corporate Financial Reporting in Nigeria. Accounting and Business Research, vol. 18(72)352-362.
Wan Zanani, W. A., Shahanaz, I. & Nurasyikan, J.N. (2008). The Impact of Board Size, Ownership and CEO Duality on Audit Quality: The Malaysian Evidence. Malaysian Accounting Review. 7(2):17-28
Wang, H. & Zezhen , M. (2011). Analysis on Impact of Corporate Governance to voluntary Disclosures- Based on the Empirical Data of Chinese Real Estate Industry. Accounting School, Capital University of Economy and Business, Beijing, P.R.China.
Whittington, G. (1993). Corporate Governance and the Regulation of Financial Reporting. Accounting and Business Research, Corporate Governance Special Issue, 23(91a):311-319.
World Bank (2004). Report on the Observance of standards and codes (ROSC). Nigeria Accounting and Auditing . http://www.worldbank.org/ifa/rosc_nga.pdf
Xiao, H. & Yuan, J. (2007). Ownership Structure, Board composition and Corporate Voluntary Disclosure: Evidence From Listed Firms in China. Managerial Auditing Journal, 22(6):604-619
Xiao, J. Z., Yang, H. & Chow, C. W. (2004). The Determinants and Characteristics of Voluntary Internet-Based Disclosures by Listed Chinese Companies. Journal of Accounting and Public Policy, 23(5):351-379.
Yermack, David (1996). Higher market valuation of companies with a small board of directors". Journal of Financial and Economics, 40(2):185-211.
Zhou, M.M. & Panbunyuen, P. (2008). The Association Between Board Composition and Different Types of Voluntary Disclosures: A Quantitative Study of Chinese and Swedish Listed Companies. An Msc Thesis.
Zucker, L.G (1987). Institutional Theories of Organization. Annual Review of Sociology. 13:443-464.

Appendix: Disclosure Checklist

1 Brief history of the company
2 Background information about Board of Directors
3 Educational qualification/Academic level of Board of Directors
4 Names and information about management staff
5 Information about Remuneration committee
6 Information about Nomination committee
7 Information about Risk Management committee
8 Information on Attendance and frequency of Board meetings
9 Information a on Attendance and frequency of Audit Committee meetings
10 Corporate social responsibility Report
11 Corporate Governance Report
12 Performance indicators for the past 5years using graphs / charts
13 Share Capitalization history

14	Dividend capitalization history / unclaimed dividends
15	Nigeria Stock Exchange quotation/ Share price at year end
16	Profitability ratios (ROCE, ROA)
17	Price earning (P/E) ratio
18	Information on Dividend Cover
19	Company policy and Information on Research and Development
20	Information on Net Assets per Share
21	Market Capitalization at year end
22	Information about corporate social responsibility
23	Information about Corporate governance
24	Donation analysis
25	Financial highlights with comparative percentage changes