

*Full Length Research Paper*

# Corporate characteristics, governance attributes and the extent of voluntary disclosure in Bangladesh

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**The aim of this paper is to examine the linkages “corporate characteristics”, “governance attributes” and the “extent of voluntary disclosure” in Bangladesh. The paper is based on a sample of 120 listed non-financial companies in Dhaka Stock Exchanges (DSE) in 2007. The study used ordinary least squares regression model to examine the relationship between explanatory variables and voluntary disclosure. Using an unweighted relative disclosure index for measuring voluntary disclosure, the empirical results indicate that a positive association between board size and voluntary disclosure, board leadership structure and voluntary disclosure and between board audit committee and voluntary disclosure. In contrast, the extent of voluntary disclosure is negatively related to proportion of INDs, ownership structure and net profitability.**

**Key words:** Corporate characteristics, governance attribute, voluntary disclosure.

## INTRODUCTION

Corporate voluntary disclosure refers to information made available at the discretion of the corporation. The extent of voluntary disclosure is influenced by changes in the attitudes in society, economic factors and behavioral factors such as the particulars corporate culture. Voluntary disclosure items may be classified into historical, current and predictive items, depending on the past, present or envisaged performance of the company. In Bangladesh, both Company Act and Securities and Exchange Rules govern corporate disclosure by listed non-financial companies in DSE. In Bangladesh, Company Act of 1994 and Securities and Exchange Rules of 1987 are two important legislations for corporate disclosure. The Companies Act 1994 provides the basic requirements for disclosure and reporting applicable to all companies incorporated in Bangladesh (Government of Bangladesh, 1993). The Act requires companies to prepare financial statements in order to reflect a true and fair view of the state of affairs of the company. The Securities and Exchange Commission (SEC), another regulatory body, requires all listed companies to comply with accounting standards promulgated by the Institute of Chartered Accountants of Bangladesh (ICAB), in addition to its own disclosure provision (Government of Bangladesh, 1993). Disclosure provisions of the Security

Exchange Rules are, in fact, restricted only to companies listed on the stock exchanges. It is often alleged, however, that company annual reports do not comply with the disclosure requirements stipulated by the regulatory agencies, resulting in poor disclosure compliance by the listed company (Akhtaruddin, 2005).

In addition, the Company Act requires companies to maintain proper books of account and to prepare and submit audited annual financial statements to their shareholders in order to reflect a “true and fair view” of the company's state of affairs. In terms of auditing, listed companies must prepare accounts in accordance with internationally accepted accounting principles and have them audited by independent auditors. Indeed, independent auditors' report has to be submitted in the company's annual general meeting (AGM) to the shareholders. Moreover, the auditor must audit the accounts of companies in light of generally accepted auditing standard (GAAS).

## Statement of the problem

The demand for published corporate disclosure of companies has increased worldwide as users of the information become more attentive. But frequently disclosure

does not serve the need of the users because managers are likely to consider their own interests when exercising managerial judgment. In fact, this increases the disclosure gap—the difference between expected and actual disclosures. In other words, improved disclosure reduces the gap between management and the outside, enhances the value of stock in the capital market, increases liquidity, reduces cost and so on (Apostolos et al., 2009; McKinnon and Dalimunthe, 2009; Karim, 1996).

One great characteristic in corporate disclosure is that a company generally provides information to release specific obligations: to society, investor, supplier, creditors and legal authorities. However, the decision to provide or not provide certain information is likely to be influenced by a variety of factors like firm size, profitability, independent non-executive directors, audit committee, board leadership structure, ownership structure, board size to find out their links with voluntary disclosure. Earlier research examines various company attributes and their association to the level of voluntary disclosure Aktaruddin et al. (2009) in Malaysia; Hossain and Hammami (2009) in Qatar; Ho (2001) in Hong Kong; Barako (2007) in Kenya; Chau and Gray (2002) in Hong Kong and Singapore; Lim et al. (2007) in Australia; Myburgh (2001) in South Africa; Hongxia et al. (2008) in China; Bradbury (1992) in New Zealand; Hossain et al. (1995) in New Zealand; Hossain et al. (1994) in Malaysia; Ferguson et al. (2002) in Hong Kong; Hossain, Reaz (2007) in India; Alsaeed (2006) in Saudi Arabia; Naser et al. (2006) in Qatar; Al-Shammari (2008) in Kuwait. No such study was carried out with special reference to Bangladesh. Here, the study focuses the level of disclosure linking to firm size, profitability, independent non-executive director, board leadership structure, board audit committee, board size and ownership structure.

### Objectives of the study

The aim of this study is to examine the factors that influence companies to disclose voluntary information in their annual reports of Bangladesh. The specific objectives of the proposed study are:

1. To measure the level of voluntary disclosure of information made by the listed companies in Bangladesh.
2. To examine the association between corporate characteristics, governance attributes and corporate voluntary disclosure levels of listed companies in Bangladesh.

## HYPOTHESIS DEVELOPMENT

### Corporate characteristics

#### *Firm size*

Most of these studies found that size of firm does affect

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

H<sub>1</sub>: The extent of voluntary disclosures is positively associated with the total assets.

H<sub>2</sub>: The extent of voluntary disclosures is positively associated with the total sales.

### **Profitability**

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

H<sub>3</sub>: The extent of voluntary disclosures is positively

associated with the profitability of the firm.

## Corporate governance attributes

### *Independent non-executive directors*

A board is generally composed of inside and outside members. Inside members are selected from among the executive officers of a firm. They either belong to the management group or are the family that owns the firm. Outside directors are members whose only affiliation with the firm is their directorship. Empirical evidence on the importance of non-executive directors on board has been mixed. The outside directors are more effective than inside directors in maximizing shareholders' wealth. In contrast, the inside directors can contribute more to a firm than outside directors due to their firm-specific knowledge and expertise. Patelli and Prencipe (2007) reported that composition of the board is one of several factors that can mitigate agency conflicts within the firm. Ros and Terry (2000) argument is that independent directors are needed on the boards to monitor and control the actions of executive directors who may engage in opportunistic behavior and also to ensure that managers are working in the best interest of the principal. Cheng and Courtenay (2006) found that boards with a larger proportion of independent directors are significantly and positively associated with higher levels of voluntary disclosure in Singapore.

In addition, Chen and Jaggi (2002) examined the association between independent directors and corporate disclosure. They found a positive relationship between a board with a higher proportion of independent directors and comprehensive financial disclosure. These findings are consistent with agency theory tenets where a higher proportion of independent directors enhance voluntary financial reporting (Barako et al., 2006). The reason for this is that the presence of independent directors reduces the cost of voluntary disclosure because directors are generally independent of the day-to-day business operations of the firm (Patellar and Prencipe, 2007). Haniffa and Cooke (2002) argue that an independent board serves as an important check and balance mechanism in enhancing boards' effectiveness. Support for these assertions is further provided by Barako et al. (2006), Simon and Kar (2001), Pettigrew and McNulty (1995) and Eng and Mak (2003). Ho (2001) did not find association between the proportion of outside non-executive directors and the extent of voluntary disclosure. Aktaruddin et al. (2009) and Obeua (2009) find that firms can expect more voluntary disclosure with the inclusion of a larger number of independent non-executive directors on the board. A firm may have higher level of disclosure if the boards consist of more outside directors. These observations suggest the following hypothesis:

H<sub>4</sub>: A higher proportion of independent non-executive directors on a board are positively related to the level of voluntary disclosure.

### **Audit committee**

Previous researches provide evidence of a positive association between the presence of an audit committee and corporate disclosure practices (Barako et al., 2006; Rosario and Flora, 2005; Ho and Wong, 2001; McMullen, 1996). In additionally reported that the presence of an audit committee is associated with reliable financial reporting such as, reduced incidence of errors, irregularities, and other indicators of unreliable reporting and audit committees are commonly viewed as monitoring mechanisms that enhance the audit attestation function of external financial reporting. The board usually delegates responsibility for the oversight of financial reporting to the audit committee to enhance the breadth of relevance and reliability of annual report (Wallace et al., 1995). Thus, audit committees can be a monitoring mechanism that improves the quality of information flow between firm owners (shareholders and potential shareholders) and managers, especially in the financial reporting environment where the two have disparate information levels. Given the influence of audit committees on the context and content of corporate annual reports, the following hypothesis is tested:

H<sub>5</sub>: The level of voluntary disclosure is associated positively for firms that have an audit committee.

### **Board leadership structure**

Within the context of corporate governance, the central issue often discussed is whether the chair of the board of directors and CEO positions should be held by different persons (dual leadership structure) or by one person (unitary leadership structure). According to agency theory, the combined functions (unitary leadership structure) can significantly impair the boards' most important function of monitoring, disciplining and compensating senior managers. It also enables the CEO to engage in opportunistic behavior, because of his/her dominance over the board. Forker (1992) empirically studied the relationship between corporate governance and disclosure quality, and presented evidence of a negative relationship between disclosure quality and 'dominant personality' (measured as CEO and board chair combined). Hence, to the extent that the combined chair/CEO positions "signals the absence of separation of decision management and decision control" (Dulacha, (2007), the following hypothesis is examined:

H<sub>6</sub>: The extent of voluntary disclosure is positively related

**Table 1.** Distribution of sample by industry types.

Industry types	Population		Sample	
	Number	Percent	Number	Percent
Engineering	23	13.77	17	14.17
Food and allied	35	20.96	24	20
Fuel and power	10	5.99	8	6.67
Textile	38	22.75	22	18.33
Pharmaceuticals and chemicals	24	14.37	20	16.67
Tannery, paper and service	18	10.78	13	10.83
Cement, ceramics and IT	19	11.38	16	13.33
Total	167	100	120	100

for firms with a dual leadership structure.

### Other variable

A review of the literature on voluntary disclosure led to the decision to include these control variables in the multiple regression models for testing the main hypothesis. These are ownership structure, (prior studies have identified ownership structure as significantly associated with the level of disclosure (Hongxia et al., 2008; Oliveira et al., 2006; Haniffa and Cooke, 2002; End and Mark, 2003; Wang et al., 2008; Chau and Gray, 2002) board size, previous research used board size as a determinant of disclosure in corporate annual reports (Chen and Jaggi, 2000; Zahra et al., 2000).

## RESEARCH METHODOLOGY

### Sample selection and data sources

Sample is taken from annual reports of listed companies on Dhaka Stock Exchange (DSE) all companies were considered for inclusive in the survey. The main criteria used for sampling the firms were:

(i) Annual reports must be available at the stock exchange and (ii) the firm must have been listed for the entire period of the study 2008. The companies listed on the DSE are classified into thirteen categories, just have taken here seventh categories that is engineering, food and allied, fuel and power, textile, pharmaceuticals and chemicals, tannery, paper, cement and ceramics and total sample companies is 120. The annual report of the sample companies is collected from the DSE seminal library by paying money. Corporate-governance attributes was collected from the annual reports of listed companies of DSE. The comparative distribution of the companies in the population and the sample are given in Table 1.

### Analysis of data

In order to obtain the objectives of the research study, statistical tools like average, standard deviation, co-efficient of variance, correlation, regressions and T tests, F tests have been used to analyze and interpretation of the data through the statistical

packages for social science (SPSS)14.0 for windows and statistical graphs, tables and charts have been used for data presentation.

### Development of a voluntary disclosure index

Previous research has examined the disclosure behavior of firms using a disclosure checklist. The disclosure checklist developed by Meek et al. (1995) was used to examine the voluntary disclosure of firms in developed countries. Chau and Gray (2002), and Ho (2001) have also used this disclosure checklist with some modifications to examine the voluntary disclosure of Hong Kong and Singapore firms. The level of voluntary disclosure of the sample firms in this study was measured using a disclosure index that was developed in consideration with the disclosure checklist used by Akhtaruddin (2009), Chau and Gray (2002), Ho (2001) and Ferguson et al. (2002). A total of 91 items were identified in compliance with voluntary disclosure items provided by listed firms in Bangladesh. These items were then compared with listing requirements for Dhaka stock exchange (DSE) and a mandatory disclosure checklist prepared by Akhtaruddin (2005) in Bangladesh. Since the focus of this research is voluntary disclosures, the preliminary list of 91 items was subjected to a thorough selection to eliminate those that are mandated. This list was sent to various experts (Professor, professional Chartered Accountant and Cost and Management accountant etc.) for selection and as a result of their feedback, the initial list of 91 items was reduced to 68 items. (A list of the final 68 items is included in Appendix 1). I employed an unweighted approach for this study. This approach is most appropriate when no importance is given to any specific user-groups (Hossain et al., 1994; Akhtaruddin et al., 2009; Hossain and Hammami, 2009).

The items of information are numerically scored on a dichotomous basis. According to the unweighted disclosure approach, a firm is scored "1" for an item disclosed in the annual report and "0" if it is not disclosed. The total voluntary disclosure index (TVDX) is then computed for each sample firm as a ratio of the total disclosure score to the maximum possible disclosure by the firm. The disclosure index for each firm is then expressed as a percentage.

### Hypothesis test

The following is the general form of the ordinary least square (OLS) regression model which has been fitted to the data in order to assess the effect of each variable on the disclosure data associated with the aggregate disclosure index and to test the associated hypotheses:

**Table 2.** Voluntary disclosure level.

Disclosure score (%)	No. of companies, {N = 120 (%)}
< = 20	3 (2.5)
21 to 30	11 (9.17)
31 to 40	44 (36.67)
41 to 50	24 (20)
51 to 60	18 (15)
61 to 70	14 (11.67)
71 to 80	4 (3.33)
>80	2 (1.66)

$$TVDE_{ijt} = \sum_{i=1}^{N_{ij}} X_{ij}$$

Where, TVDE = total voluntary disclosure score for  $j^{th}$  firm at the

time  $t$ ,

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

$t$  = year.

$TVDE = a + \beta_1 TA + \beta_2 TSE + \beta_3 NPA + \beta_4 PIND + \beta_5 BAC + \beta_6$   
 $BLS + \beta_7 PEOI + \beta_8 BSZE + \varepsilon$

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

TVDE = Total voluntary disclosure score received from each company.

TA = Total assets of the firm.

TSE = Total sales of the firm.

NPA = Net profit ability of the firm.

PIND =Percentage of independent non-executive directors to directors on board.

BAC = Board audit committee, 1 for yes or 0 No.

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

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

BSZE = Total number of member on each board.

$a$  = total constant, and  $\varepsilon$  = the error term.

## RESULT AND DISCUSSION

The Table 2 shows the number and percentages of companies whose disclosure score is within the specified range. 2.5% companies disclose directors information less than of 20%; 36.67% companies disclosure in the range of (31 to 40)% and 20 and 15% companies disclose directors information in the range of (41 to 50)% and (61 to 70)% respectively. 1.66% companies disclose more than 80% director's information in the annual reports of listed companies of Bangladesh. On aggregate, the voluntary disclosure of director's information is medium.

### Descriptive statistics

\*PIND = Percentage of independent directors; BLS =

Board leadership structure; BSZE = Board size; BAC = Board audit committee; TA= Total assets; TSE= Total sales; PEOI =Percentage of equity owned by the insiders to all equity of the firm; NPA = Net profitability. Table 3 presents descriptive statistics for the sample firms. The results from the disclosure index indicate (TVD) that the level of average voluntary disclosure in the sample companies is 47.74% the highest score achieved by a firm is 72% and the lowest score is 18% with a standard deviation of 12.013%. So the firms are widely distributed with regard to voluntary disclosure. It is consistent with Haosain and Hammami (2009) in Qatar (36.84%), Akhtaruddin et al. (2009) in Malaysia (53.20%) and Al-Shammari (2008) in Kuwait (46%).

The mean of the proportion of independent non-executive directors (PIND) to the directors on the board is 9.72% with standard deviation is 8.61%.The average board size (BSZE) is 6.68 with minimum and maximum sizes of 3 and 13 respectively. The average firm size is (Taka Bangladeshi) Tk.27020.80 lakh and Tk.18318.83 lakh respectively in terms of total assets (TA) and total sales (TSE). The average ownership structure is 21.71% with standard deviation is 19.76%. The statistics on the net profitability (NPA) indicate that a small portion of sample firms show negative returns.

### Pearson correlation analysis

Table 4 provides the Pearson product-moment correlation coefficients of the continuous explanatory variables as well as the dependent variable included in the survey. The result of Pearson product-moment correlation exposed that board leadership structure, board size, board audit committee, total assets are positively related with voluntary disclosure ( $P < 0.01$ , two-tailed), but Percentage of equity owned by the insiders to all equity of the firm is negatively related with voluntary disclosure ( $P < 0.01$ , two-tailed). Percentage of independent directors is positively related with voluntary disclosure ( $P < 0.05$ , two-tailed). Board audit committee is positively related with PIND and BLS at the level of ( $P < 0.01$ , two-tailed). Total assets is positively related with BLS ( $P < 0.01$ , two-tailed) and BSZE ( $P < 0.05$ , two-tailed). Total Sales is also positively related with BSZE ( $P < 0.01$ , two-tailed) and TA ( $P < 0.05$ , two-tailed).

Percentage of equity owned by the insiders to all equity of the firm is negatively related with BLS, BAC, TA ( $P < 0.01$ , two-tailed) and BSZE ( $P < 0.05$ , two-tailed). Net profitability is positively related with BLS, BSZE and negatively related with PEOI at the level of ( $P < 0.05$ , two-tailed).

### Multiple regression analysis

Table 5 shows the results of the multiple regression

**Table 3.** Descriptive statistics for independent variables.

Variable	Mean	Minimum	Maximum	Std. deviation
VDI	47.74	18	72	12.013
PIND	9.72	0	38	8.613
BLS	0.71	0	1	0.456
BSZE	6.68	3	13	2.054
BAC	0.68	0	1	0.470
TA	27020.80	56.95	378056.50	66374.16
TSE	18318.83	0000	441016.71	58766.09
PEOI	21.71	0	66	19.76
NPA	-1.14	-258.96	64.09	38.38

**Table 4.** Pearson correlation analysis results (N = 120).

Variable	TVD	PIND	BLS	BSZE	BAC	TA	TSE	PEOI	PA
PIND	0.232*	1.000							
BLS	0.482**	.225*	1.000						
BSZE	0.339**	0.131	0.212*	1.000					
BAC	0.468**	0.399**	0.319**	0.094	1.000				
TA	0.352**	0.043	0.205*	0.295**	0.197	1.000			
TSE	0.199	0.134	0.168	0.232*	0.181	0.580**	1.000		
PEOI	-0.718**	-0.202	-0.371**	-0.248*	-0.376**	-0.281**	-0.005	1.000	
NPA	0.075	0.055	0.247*	0.210*	0.000	0.149	0.521	-0.258*	1.000

\*\* Correlation is significant at the 0.01 level (2-tailed), \* Correlation is significant at the 0.05 level (2-tailed).

analysis in our study. Regression has been used in much previous research (Aktaruddin et al., 2009; Apostolos et al., 2009; Hossain and Hammami, 2009; HongxiaLi and Ainian, 2008; Lim et al., 2007; Barako et al., 2006; Da-Silva and Christensen, 2004; Gerald and Sidney, 2002; Owusa-Ansah, 1998; Wallace and Naser, 1995; Wallace et al., 1994). The table shows the association between voluntary disclosure index and experimental variables. The coefficient of coordination R-square, F ratio, beta coefficients for the regression model and summarized results of the dependent variable on the explanatory variables can be seen in the Table 5. The result indicates an R-square of 0.623, and an F value of 16.94, which is significant at the 0.000 levels. Both of these values suggest that a significant percentage of the variation in voluntary disclosure can be explained by the variations in the whole set of independent variables. If the independent variable PIND is one unit increased then this situation the dependent variable is decreased -0.016 with SE = 0.101, Bata t value = -0.214 and significance at the 0.831. The result suggests that firms have a higher proportion of INDs disclose is not associates with voluntary information. This result is similar to that of Barako et al. (2006), End and Mak (2003), Ho (2001), Simon and Kar (2001), Ros and Terry (2000) and Forker (1992) who

reported a negative association between the board composition variable and the extent of voluntary disclosure.

The board audit committee is positively associated with company's voluntary disclosure practices. It is the important hypothesis of the extent of voluntary disclosure, with the coefficient of 0.155 significant at the 0.055 level ( $P < 0.1$ , two-tailed). This result is similar to that of Ho (2001) who reported a positive significant relationship between the existence of an audit committee and the extent of voluntary disclosure by the Hong Kong listed companies. This result is also similar to Richard et al. (2008), Barako et al. (2006), Simon and Kar (2001), McKinnon and Dalimunthe (1993) and Forker (1992). The next corporate governance variable is board leadership structure. The regression coefficient for the variable is 0.209, which is positive and statistically significant at the 0.007 level ( $P < 0.01$ , two-tailed). This provides support for hypothesis  $H_6$  that the extent of voluntary disclosure is positively related for firms with a dual leadership structure. This result is similar with Forker (1992). This is consistent with Barako et al. (2006). With regard to corporate characteristics variables, this study suggest that firms that are larger in size in respect to total assets. The hypothesis of the variable:

**Table 5.** Multiple regression results (N = 120).

Variables	Coefficient	Standard error	Bata t value	Significance
PIND	-0.016	0.101	-0.214	0.831
BLS	0.209	1.962	2.756	0.007***
BSZE	0.137	0.419	1.867	0.065*
BAC	0.155	1.994	1.947	0.055*
TA	0.057	0.000	0.628	0.532
TSE	0.087	0.000	0.986	0.327
PEOI	-0.576	0.049	-7.068	0.000***
NPA	-0.167	0.022	-2.288	0.025**

R Square = 0.623; Adjusted R square = 0.586, F value =16.94; F significance = 0.000, \* P<0.1, two-tailed, \*\* P<0.05, two-tailed, \*\*\* P<0.01, two-tailed. PIND = Percentage of Independent Directors; BLS = Board leadership structure; BSZE = Board Size; BAC = Board audit committee; TA = Total assets; TSE = Total sales; PEOI = Percentage of equity owned by the insiders to all equity of the firm; NPA = Net profitability.

H<sub>7</sub>: The extent of voluntary disclosures is positively associated with the total assets.

The regression results for firm size by total assets are insignificant which is similar with Chow and Wong (1987). This is significant with Hossain and Mitra (2004) and Hossain and Hammami, (2009). With regard to another corporate characteristics variable, this study suggests that are larger in size in respect to total sales. The hypothesis of the variable:

H<sub>8</sub>: The extent of voluntary disclosures is positively associated with the sales turnover.

The regression result for nature of the firm is insignificant which opposite with Bruce and Merridee (2006). The significant corporate governance attribute is net profitability. The regression coefficient for the variable is -0.167 with SE = 0.022, Bata t value = -2.288 and significance at the 0.025 (P<0.05, two-tailed). The result suggests that the extent of voluntary disclosure is not positively associated with the profitability of the firm. This result is similar to that of Hossain and Hammami (2009), Kusumawati (2006), and Leventis and Weetman, (2004).

## Conclusions

This research is an extension of previous research where a set of corporate characteristics, governance attributes is considered to examine their association with the level of voluntary disclosure. The objective of this study was to examine corporate characteristics, governance attributes and their influence on voluntary disclosure. In particular, the study aimed to determine which of these factors were significantly related to increased voluntary disclosure. The study used the disclosure index to measure voluntary disclosure on a sample of 120 listed non financial companies of Bangladesh. The third hypothesis of the

study was the extent of voluntary disclosures is positively associated with the profitability of the firm. But finding of my result suggests that the extent of voluntary disclosure is not positively associated with the profitability of the firm. The result of the study shows that it is negatively related to proportion of independent non-executive directors and the extent of voluntary disclosure is positively related for firms with a dual leadership structure. The findings of this research support it more that higher number of directors on a board is higher voluntary disclosure and the level of voluntary disclosure is associated positively for firms that have an audit committee. There are a number of limitations of this study as well.

First limitation of the study is used only non-financial companies as a sample. So, the results may not extend across all companies in Bangladesh. Secondly, the researchers' constructed disclosure index has been used in the study. The index is very sensitive and can affect the results if the selected items of information improperly. Future research on voluntary disclosure should seek to take into account all listed companies under non-financial group. Additionally, studying the same research issues found here but in a different industry sector would be an interesting extension of this study. This may disclose interesting results in terms of variations within the industrial sectors.

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## **APPENDIX**

### **Appendix 1**

Voluntary disclosure check list in Annual Reports of Bangladesh

#### ***General corporate information***

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

#### ***Corporate strategic information***

1. Statement of corporate strategy and objectives – general.
2. Statement of corporate strategy and objectives – financial.
3. Statement of corporate strategy and objectives – marketing.
4. Statement of corporate strategy and objectives –social.
5. Impact of strategy on current performance.

#### ***Corporate governance/directors information***

1. Name of principal shareholders.
2. List of directors.
3. Shares held by directors of the company.
4. Meeting held and Attendance.
5. Educational qualifications of the directors.
6. Experience of the directors.
7. Position or office held by executive directors.
8. Other directorship held by executive directors.
9. Remuneration of the directors.

#### ***Financial information***

1. Amount and sources of revenue.
2. Sources of raw materials.
3. Dividend payout policy.
4. Retained earnings.
5. Unit selling price.
6. Growth in units sold.
7. Foreign currency information.
8. Intangible assets break-down.
9. Policies regarding the amortization of intangible assets.

#### ***Financial review information***

1. Liquidity ratios.

2. Debt / equity ratio.
3. Return on capital employed.
4. Return on shareholders' equity.
5. Net tangible assets per share.
6. Dividend per ordinary share for the period.
7. Effects of inflation on future operations- qualitative.
8. Effects of interest rates on results.

#### ***Foreign currency information***

1. Effects of foreign currency fluctuations on future operation-qualitative.
2. Effects of foreign currency fluctuations on current results-qualitative.

#### ***Segmental information***

1. Competitor analysis- quantitative.
2. Competitor analysis- qualitative.
3. Market share analysis- quantitative.
4. Market share analysis- qualitative.

#### ***Employee information***

1. Total number of employees for the company.
2. Average compensation per employee costs.
3. Category of employees by sex.
4. Number of employees trained.
5. Welfare information.
6. Policy on employee training.
7. Data on accidents.

#### ***Research and development information***

1. Description of Research and development projects.
2. Corporate policy on Research and development.

#### ***Future forecast information***

1. Market share forecast.
2. Future cash flow forecast.
3. Sales forecast.
4. Profit forecast.
5. Compared former earnings forecast date.
6. Compared former sales forecast date.
7. Capital expenditure and R and D expenditure forecast.

#### ***Share price information***

1. Sales amount changes and explanations.
2. Operating income changes and explanations.
3. Gross profit changes and explanations.
4. Accounts receivables changes and explanations.

5. Inventory changes and explanations.

***Social responsibility information***

1. Information on safety measures.
2. Environmental protection programs.
3. Information on community services.

***Graphic information***

1. Graphic presentation of financial information.
2. Graphic presentation of non- financial information.