/

IMPACT OF CORPORATE GOVERNANCE ON FINANCIAL DISCLOSURES: EVIDENCE FROM INDIA

Mehul Raithatha, Varadraj Bapat***

Abstract

The paper aims at identifying impact of corporate governance variables i.e. board structure (board size, board independence, board activity and board busyness) and ownership structure (foreign promoters holding, institutional shareholding and CEO duality) on financial disclosures made by the Indian firms. Using cross sectional data of 325 listed firms for the financial year 2009-10, we compute financial disclosure score (using 171 checklist points) based on disclosure requirements of accounting standards. We find average disclosure score of 73%, maximum and minimum being 100% and 46% respectively. Our finding support agency theory in terms of monitoring role of board since board size is found to be significant however we do not find any influence of board independence on the disclosures. The study also supports resource dependency theory in terms of outside directorship which might provide exposure to different corporate environment, brings diverse perspectives and knowledge to the directors and this in turn leads to improved disclosures. We also support the notion that having foreign promoter shareholding improves disclosures.

Keywords: Financial disclosure, Board structure, CEO Duality, Ownership structure, Firm attributes

* *Institute for Financial Management and Research (IFMR), India*
E-mail: mehular83@gmail.com, mehul.raithatha@ifmr.ac.in
** *S J Mehta School of Management, Indian Institute of Technology (IIT), Bombay, India*

1. Introduction

Issue of corporate disclosures has been widely discussed in recent years mainly due to financial crises and need of effective corporate governance system. Why corporates should disclose more information in financial reports has been pronounced in several theories like stakeholder theory, agency theory, legitimacy theory and political economy theory (Choi, 1973). The agency theory implies that companies increase disclosure in order to reduce conflicts between principals (shareholders) and agents (managers). In addition, companies aiming to increase their firm value may do so by increased disclosure (Lobo, 2001). Several studies have mentioned that improved disclosure reduces the gap between management and the outsiders, enhances the value of stock in the capital market, increases liquidity and reduces cost of capital (Apostolos, 2009; Karim, 1996; McKinnon, 2009).

Accounting and stock market frauds have increased importance of transparency and reliability of the financial information provided to markets (Lang M. & Lundholm R., 2000). In response to financial scandals (like Enron, WorldCom, Satyam) and accounting irregularities as seen in several scams, the regulatory authorities from several countries has taken initiative to improve information disclosures environment, mitigate conflicts of interest and ensure the independence of auditors to protect the investors interests' and increase the confidence of capital markets (Leuz, 2003). Weak corporate governance system may provide an opportunity for managers to act against the interest of shareholders. Effective corporate governance system assists in improving financial performance and corporate valuation (Klapper, 2004; Rajagopalan, 2008). As a part of corporate ethics, stakeholder calls for transparent and reliable financial disclosures.

Board of directors and ownership structure plays crucial role in monitoring managerial activities and also reduces agency costs (Fama and Jensen, 1983; Jensen & Meckling,1976). Several studies have shown evidence of a significant relation between the characteristics of the board of directors and the integrity of accounting information (Hashim, 2008; Patelli, 2007; Rahman, 2006). In corporate governance, the monitoring role of boards of directors is a critical component of internal control (Jensen, 1986). Weak governance has been found to be the prime reason of discounting emerging economies in the financial markets (La Porta, 2000).

Considering importance of corporate governance mechanism in driving firms to disclose adequate and sufficient information to the shareholders, our study aims at examining impact of effective corporate governance mechanism i.e. Board structure and ownership Structure on financial disclosures. We focus on India as it is one of the largest emerging economies and we hope that results will also be applicable to other emerging economies as well.

The paper is motivated considering the fact that disclosures are important tool for communicating financial and non-financial information to the shareholders. It is the responsibility of the board to monitor the activities of managers. In India, Securities Exchange Board of India (SEBI) has recommended implementation of effective governance system for investors' protection to drive economic growth and development through investment in financial markets. When it comes to disclosures especially financial disclosures, several Accounting Standards (AS)/Generally Accepted Accounting Principles (GAAP) are prescribed by Institute of Chartered Accountants of India (ICAI) to be followed while preparing financial statements. Hence, an investigation of impact of effective corporate governance mechanism on financial disclosures would benefit not only the investors and other stakeholders but also to regulatory authorities for whom the study may act as feedback for existing regulatory environment.

We aim to contribute to the existing literature in several ways. First, several studies have focused on effective corporate governance mechanism through board monitoring and independence and its association with financial performance (Baysinger, 1985; Bhagat, 2008; Coles, 2001; Erhardt, 2003; Hillman & Dalziel, 2003; Jackling, 2009) and Corporate Social Responsibility (CSR) disclosures (Roshima Said et. al., 2009). However there is limited focus on impact of corporate governance on disclosure policy of the firms. Our study focuses on impact of corporate governance mechanism i.e. board structure and ownership structure on financial disclosures considering disclosure requirements of Accounting Standards/GAAP in India. We prepare checklist/questionnaire of 171 points (considering accounting standards disclosure) as a part of our disclosure index which enables us to examine the extent of financial disclosures. Second, most of the studies related to disclosures and corporate governance have focused on developed countries there is limited work done in emerging market context (especially linking corporate governance with disclosures). Our study may help to understand impact of corporate governance on disclosure environment in emerging market context since Indian corporate environment is one of the largest amongst emerging economies. Finally, earlier studies that focused on impact of disclosures on governance considered either voluntary disclosures or specific financial statements disclosers (Chen, 1998; Forker, 1992; L.L. Eng, 2003; Simon S.M Ho, 2001; Nazli A. Mohd Ghazali, 2008), whereas we focus on all the disclosures that are laid down by Indian Accounting Standards to determine the level of disclosure for each firm.

The paper is organized as follows: Section 2 provides overview of financial reporting and corporate governance environment in India. Section 3 discusses related literature on board structure, ownership structure and financial disclosures and lay down hypothesis of the study. Section 4 mentions data selection process and methodology for data analysis. Section 5 narrates results and discusses output. Section 6 provides concluding remarks.

2. Financial Reporting and Corporate Governance in India

In India, financial reporting and disclosure requirements are mainly governed by Companies Act and Institute of Chartered Accountants of India (ICAI) whereas corporate governance requirements come from Securities Exchange Board of India (SEBI). In this section we shall discuss regulatory requirements about financial reporting and corporate governance in Indian context.

2.1 Financial reporting and disclosures

Financial reporting is the communication of financial information of an enterprise to the stakeholders. Within a corporate context, financial reporting includes set of accounting statements which includes Balance Sheet, Income Statement and Cash Flow Statement. These statements are also required to fulfil statutory requirements of various regulatory authorities. Other financial statements prepared by companies based on the requirements are Consolidated Financial Statements, Segment Reporting, Environmental reporting etc.

The Companies Act, 1956 lays down the detailed provisions regarding the maintenance of books of accounts and the preparation and presentation of annual accounts. The Act also prescribes the mechanism for issuance of accounting standards.

ICAI is a statutory body having the mandate to regulate and develop the financial accounting and auditing professions. For preparation and presentation of information in the financial statement ICAI issues Accounting Standards which are reviewed and notified by National Advisory Committee on Accounting Standards (NACASA). Chartered Accountant, acting as Statutory Auditor certifies the financial statements of the companies. An unqualified/clean audit report assures the users that information contained in the annual accounts is reliable.

2.2 Corporate Governance Mechanism

The focus on issues of Corporate Governance has gained momentum in Indian Corporate Sector in the past decade. In 1991, the Indian Government enacted a series of reforms aimed at general economic liberalization. The Securities and Exchange Board of India (SEBI), India's securities market regulator was formed in 1992. It issues guidelines and monitor corporate in the issuance of capital and transfer of securities, in addition to all intermediaries and persons associated with securities market. Listed corporations are required to comply with various provisions of SEBI and submit financial statements and reports from time to time. In addition to this SEBI plays important role of acting as a supervisory body to implement corporate governance requirements. In the year 2000, it has issued Clause 49 which sets out the detailed requirements of compliance to corporate governance principles.

The first major initiative was undertaken by the Confederation of Indian Industry (CII), India’s largest industry and business association, which came up with the first voluntary code of corporate governance in 1998. Focusing mainly on Anglo-Saxon Model of Corporate Governance, CII drew up a voluntary Corporate Governance Code. The first draft of the code was prepared by April 1997, and the final document titled “Desirable Corporate Governance: A Code”,[1] was publicly released in April 1998. It was voluntarily adopted by few companies.

The second major corporate governance initiative in the country was undertaken by SEBI. In early 1999, it set up a committee[2] under Kumar Mangalam Birla[3] to promote and raise the standards of good corporate governance. The committee focused on improving board structure and functioning along with improved disclosures to shareholders. SEBI accepted the recommendations of the Birla Committee and made it a statutory requirement under clause 49 of the Listing Agreement of the Stock Exchanges.

Afterwards, Naresh Chandra Committee (2002) was formed by Ministry of Corporate Affairs (MCA) which recommended about independent auditing, non-audit services provided by auditors, independent directors etc. In the wake of the Enron scandal and the adoption of the Sarbanes-Oxley Act in the United States, SEBI formed the Narayana Murthy Committee in order to evaluate the existing corporate governance requirements. The committee in its report submitted in 2003 suggested requirement of audit committee, independence of the board, training for directors etc. After Satyam scandal (2009) which was mainly due to board failure and financial irregularities regulators and industry groups started further reforms in corporate governance requirements. SEBI along with CII issued major recommendations like appointment of Chief Finance Officer (CFO) by audit committee, rotation of audit partner, appointment of remuneration committee, performance evaluation of directors etc.

3. Literature Review and Hypothesis Development

The impact of corporate governance and ownership structure on financial disclosures is driven by several theoretical foundations. Agency theory is one of the foremost theories dealing with disclosure and governance and it mentions about conflict of interest between shareholders (principals) and managers (agents) due to separation of ownership and management. Jensen and Meckling (1976) mentioned that since managers do not own resources they may create “Moral Hazard” because they would try to hide their inefficiency to avoid loss of rewards linked to their performance. To monitor agents, principals would call for effective corporate governance mechanism and adequate disclosure of information. Resource dependence view of corporate governance suggests that board of directors provides essential resources through their expertise and linkages to other firms and institutions (Hillman A. J., 2003; Pfeffer, 1972). This may encourage board to disclose relevant information to the shareholders. Signalling theory indicates that information asymmetry between a company and the investors causes adverse selection. To avoid this situation, companies disclose information voluntarily, providing signals to the market (Watts, 1986). Political process theory suggests that regulators make decisions based on the information disclosed by firms (Watts, 1986). This may also lead to study the impact of corporate governance mechanism (enforced by regulators) on disclosure policy of firms. Higher information disclosure is expected to justify a firm’s large profits and thus avoid legal obligations (Giner, 1997; Lang and Lundholm, 1993). Political costs and the competitive environment also influence the level of information disclosed in an industry (Mora and Rees, 1998).

Considering theoretical foundations and related literature we construct hypothesis which are explained along with the literature discussion for each variables considered in the study.

3.1 Financial Disclosure

Agency costs are frequently cited as an explanation of why companies may disclose financial information (Chow, 1987; Hossain M. and Adams M., 1995). Such disclosures assist principals to monitor the activities of their agents (Jensen & Meckling, 1976).

Owusu Ansah (1998) defines adequate disclosure as the extent (no. of items) to which mandated applicable information is presented in annual reports of companies and the degree of intensity by which a company discloses those items in its annual report. Cerf (1961) studied the corporate-specific attributes which determines the extent of disclosure and observed that significant differences in disclosure appeared to be a function of a variety of corporate-specific attributes including asset size, number of shareholders, and profitability. Buzby (1974) measured the disclosure of 39 selected informational items in the annual reports of 88 small and medium sized companies and concluded that the companies should give due consideration to information needs of the users of financial statements while deciding on the items to be included in the annual reports.

Seshan (1980) carried out a survey of the financial reporting practices followed by 200 public limited companies in India and concluded that many companies were not disclosing the accounting policies and the supplementary financial statements in their annual reports and laid emphasis on the inclusion of these statements in the annual reports.

Singhvi and Desai (1971) studied the association between disclosure of certain informational items and the company characteristics, such as asset size, number of stockholders, listing status, CPA firms, rate or return and earnings margin taking a sample of 100 listed and 55 unlisted US companies for the year 1965-66. They concluded from their study that extent of disclosure was lower for unlisted companies and the disclosure was positively associated with total assets, number of shareholders, CPA firm, and earnings margin. Several studies have argued that while disclosure may be mandated by regulatory bodies, sizeable scope remains in determining what information is actually provided (Wallace, 1980; Lang and Lundholm, 1993).

Nangia (2005) examined the disclosure practice of 10 Indian companies and 10 Multinational Corporations operating in India from 1992 to 2001. She studied the association between the extent of disclosure (index of 106 items) and certain company characteristics like size, profitability and type of industry. She found that while there is no association between the extent of disclosure and size and profitability of companies in both groups, type of industry has a significant association with the extent of disclosure.

In this paper Financial Disclosures are used as dependent variable considering the Disclosure score computed through disclosure questionnaire/checklist (171 points) prepared from disclosures required by each accounting standards.

3.2 Board Structure

Effective corporate governance mechanism is always designed to felicitate monitoring role of directors (Jensen,1986). Several studies have focused on size of the board, presence of independent directors in the board, frequency of board meetings as effective criteria to monitor board activities. Well-functioning board may also lead to better quality disclosure.

We consider following variables as proxy variables for board structure.

Board Size

Size of the board plays important role in monitoring the activities of managers. Large size of the board may provide better supervision and high quality corporate decisions (Pearce, 1992). Small sized board may affect the level and extent of monitoring (Davila, 2009; Ferraz, 2011). Large board may also bring in more expertise and knowledge which may be useful to financial reporting practices.

In India, as per The Companies Act a minimum of three and maximum of 15 directors are prescribed on the board. It permits more than 15 directors after passing a special resolution.

Considering the importance of board on improving quality of financial reporting and disclosures we propose following hypothesis.

H1: The size of the Board of Directors is positively associated with financial disclosures.

Board Independence

Several studies in corporate governance literature have discussed about role of independent directors in improving financial reporting and disclosure quality. Fama and Jensen (1983) and Leftwich (1981) mentioned that independent directors in the board will be more effective to control mangers and improve disclosures. Independent directors are always considered as a tool for monitoring management behaviour (Rosenstein, 1990) and they may improve disclosure of information. Forker (1992) reported that a higher percentage of outside directors on boards enhanced the monitoring of the financial disclosure quality and reduced the benefits of withholding information.

In India, the Clause 49 of the Listing Agreement mandates that for listed companies, where the chairman is an executive director (ED) or a promoter, the board should have at least 50% independent directors (IDs) and Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors.

Considering the monitoring and control function of independent directors we present following hypothesis.

H2: The proportion of Independent directors on the board is positively associated with financial disclosures.

Board Activeness

Board monitoring role also depends upon its activeness. Number of meeting during financial year is one of the important determinants of its activeness. Monitoring function of board gets affected if they do not meet or meet only few times (Menon, 1994). Previous studies from Adams (2003) and Garcia Lara et. al. (2009) among others supported that no. of meetings can be considered as proxy for board monitoring. Active board is also expected to work towards safeguarding interest of shareholders and making the financial reporting process more transparent.

In India, the Companies Act and SEBI Listing Agreement prescribe a minimum of four board meetings a year. Considering the positive impact of board activeness on disclosure we present following hypothesis.

H3: Board activeness (No. of board meetings) is positively associated with financial disclosures.

Board Busyness

Directors are allowed to act on board of several companies. Multiple directorships may signal talent superiority and expertise in bringing different exposure to the board. They may generate benefits as they have many networks and access to the resources (Pfeffer, 1972). This is also supported by reputation hypothesis (Fama and Jensen, 1983; Jensen M.,1986). There is also alternate view that multiple directorships may compromise on commitment and quality of monitoring and in turn adversely affect the whole purpose of corporate governance. This view is supported by Lipton et. al. (1992) who argued about compromise on commitment and Beasley (1996) who documented about relation between multiple directorship and financial statement fraud.

In India, The Companies Act limits the maximum number of outside directorship for all directors to 10 public companies, and 20 in all.

Considering that outside directorship brings expertise and resource dependence theory view we expect positive impact on financial disclosure and set following hypothesis.

H4: Board busyness (No. of outside directorship) is positively associated with financial disclosures.

3.3 Ownership Structure and Leadership

Various aspects of ownership structure like Government ownership, foreign ownership, Institutional ownership have been considered in previous studies. Separation of ownership and control has been responsible for agency conflicts (Jensen and Meckling, 1976). It has also been observed that potential of agency problem is sever when shares are widely held as compared to when they are in the hands of few (Fama and Jensen, 1983). The type of board leadership and role of Chief Executive Officer (CEO) can also influence disclosure policy of companies. Considering role of ownership distribution and CEO leadership we propose following hypothesis.

Proportion of Institutional Shareholdings

Due to higher ownership stake, institutional shareholders may influence the decision making of board. They may even encourage higher disclosures in the financial statements. Carson (1997) studied listed companies in Australia and found a significant positive relationship between the percentage ownership by institutional investors and voluntary disclosure of corporate governance practices. Bushee (2000) reported a significant positive association between institutional shareholdings and corporate disclosures measured by the Association for Investment Management and Research (AIMR). Barako (2006) studied listed companies from Kenya and documented significant relation between institutional shareholdings and corporate voluntary disclosures.

Considering the role of Institutional investors to monitor board activities and in turn influence disclosures, we propose following hypothesis.

H5: Higher proportion of institutional ownership is positively associated with financial disclosures.

Proportion of Foreign Promoter Shareholdings

Companies with foreign promoter holding may also have to comply with financial reporting requirements from several regulators which may improve their disclosure practices. Foreign shareholding can play an important role in improving disclosures. Haniffa (2002) found a significant positive relationship between the proportion of foreign ownership and the level of voluntary disclosure by listed companies in Malaysia. Singhvi (1968) found that Indian companies with higher foreign ownership of stock presented higher quality disclosure than locally owned companies. Barako et. al. (2006) also reported significant relation between institutional shareholdings and corporate voluntary disclosures for Kenyan listed companies.

Considering the important role of foreign promoters in improving disclosures we test following hypothesis.

H6: The proportion of foreign promoter holding is positively associated with financial disclosures.

CEO Duality

Chairman of board and Chief Executive Officer (CEO) of a company play major role in the decision making of the firm. It has always been a question whether dual leadership role (chairman and CEO) in the hand of one person is beneficial for effective corporate governance mechanism. According to agency theory, the combined functions may weaken the boards' most important function of monitoring, disciplining and compensating senior managers. It also leads to managerial opportunism due to control of CEO over board decisions. Forker (1992) empirically studied the relationship between corporate governance and disclosure quality, and presented evidence and reported a negative relationship between disclosure quality and "dominant personality" (measured as board chair and CEO combined). Even Fama and Jensen (1983) reported that CEO duality "signals the absence of separation of decision management and decision control".

Considering the possible compromise on governance by the firm with dual role in the hand of one person, we propose following hypothesis.

H7: CEO Duality is negatively associated with financial disclosures.

3.4 Firm Attributes as control variables

It has been reported in several studies that disclosure practices of a firm is driven by several firm characteristics. Considering the previous literature findings about impact on firm characteristics on disclosure practice we consider firm size, profitability, leverage, age and audit quality as control variables.

Size of a firm is assumed to positively affect the level of disclosure in the financial statements. Since cost of generating and disseminating information is higher, larger firms may be able to easily bear the cost. They have necessary resources and expertise to generate information. In the prior research, size has been found to be a significant factor in explaining the differences in the extent of disclosure (like Cooke T E, 1992, Joshi and Mudhahki, 2001 and Singhvi and Desai, 1971). Chow (1987) argued that agency costs increases with firm size and hence adequate disclosures help to mitigate the cost of agency conflicts. We consider natural logarithm of total assets and market capitalization as proxy for size of a firm.

Corporate profitability normally affects the financial disclosure positively as suggested by prior research regarding the association between the profitability and level of disclosure (Belkaoui A and Kahl, 1978; Singhvi and Desai, 1971 and Wallace R S O et. al., 1994). Profitable firms will be able to bear the cost of disclosure and would also like to continue its image amongst stakeholders. We consider return on assets (ROA) as measure of profitability.

Disclosure of information is also beneficial for the firm that uses debt as a source of finance to maintain trust and confidence amongst creditors. Lenders are likely to force the firms to disclose more. Several studies have found the relationship between leverage and the extent of disclosure is expected to be positive (Bradbury, 1992 and Jensen and Meckling, 1976). However others did not find any association between leverage and disclosure (Carson, 1997; Hossain M. and Adams M., 1995). We use debt to total capital employed (Debt + Equity) ratio in the present study as measure of leverage.

Older companies are generally expected to disclose more information since they are established in the market. Younger firms may suffer from competitive disadvantage while disclosing information. Older firms also have expert and trained manpower. Disclosure may even improve with passage of time. Owusu Ansah (1998) mentioned that older firms are in a better position to bear the cost of disclosures. We consider natural logarithm of age.

Craswell et. al. (1992) and De Angelo (1981) indicated that large auditors are likely to provide higher quality audit services to their clients because they are not economically dependent on specific client and they are also more concerned about reputation loss in case of audit failures, compared with small auditors. Several studies have documented relationship between auditor size and disclosures (Ahmed and Nicholls, 1994; Singhvi and Desai, 1971). Audit firm size is considered as dummy variable and assigned 1 if company is audited by Big 4 Auditors[4] and 0 if audited by other audit firm.

4. Data and Methodology

4.1 Data and Sample

Companies listed in India with BSE (Bombay Stock Exchange Ltd.) are chosen for study. Established in 1875, BSE Ltd. is Asia's first Stock Exchange and one of India's leading exchange groups. About 5000 companies are listed on BSE. Financial companies (about 800) like banking companies are excluded since the regulatory and disclosure requirement are different for these companies. A random sample of 400 companies was selected from the non-financial companies listed with the BSE for the financial year 2009-10. Due to non-availability of annual reports and other data, 75 companies could not be considered from the randomly selected sample. Final sample consisted 325 companies representing different industrial sectors. The sample represented about 8% of the total listed non-financial companies with BSE. Following Table 1 provides summary of industry representation by the sample companies.

Table 1. Industry Classification of Sample Companies

	No. of Non – Financial companies Listed with BSE		No. of Non – Financial Companies In the Sample	
Nature of industry	**No. of Companies**	**% of Total**	**No. of Companies**	**% of Total**
Food and Agro	312	7.27%	19	5.85%
Textile	403	9.39%	21	6.46%
Chemical and Chemical Products	642	14.96%	45	13.85%
Consumer Goods	130	3.03%	8	2.46%
Construction Material	134	3.12%	14	4.31%
Metal and Metal Products	311	7.25%	24	7.38%
Machinery	294	6.85%	23	7.08%
Transport	142	3.31%	15	4.62%
Diversified	76	1.77%	7	2.15%
Services (Other than Financial)	1372	31.97%	75	23.08%
Construction and Real Estate	270	6.29%	23	7.08%
Mining	38	0.89%	2	0.62%
Electricity	31	0.72%	4	1.23%
Misc. Manu.	136	3.17%	45	13.85%
Total	**4291**	**100.00%**	**325**	**100.00%**

Though companies may disclosure information in variety of ways, the annual report is considered as most effective and reliable source of information. Annual report is an authentic document as it is audited and submitted to various regulatory authorities. We have collected information related to financial disclosures and corporate governance variables from annual report. The data for the study has been collected from Annual report of individual company for the year ended 31st March 2010. In order to extract the information items, financial and non–financial items of the annual reports were considered. This included reports of directors, report of auditors, corporate governance report, statement of accounting policies, profit and loss account, balance sheet, statement of cash flows, notes to the accounts.

Data about firm characteristics like size, profitability, leverage is collected from PROWESS database maintained by the Centre for Monitoring Indian Economy (CMIE). The dataset provides comprehensive firm level information about the financial statements such as balance sheet (total assets, current assets, total debt and liabilities), income statement (sales, expenditures and taxes), and cash flow statement.

4.2 Construction of Disclosure Checklist/Questionnaire to Compute Disclosure Score

Out of 32 Accounting Standards (AS) issued by ICAI, as applicable to the companies as on 31st March 2010, all the 29 mandatory AS are considered for the purpose of present study. These Accounting Standards are required to be followed by every listed company and therefore its applicability is not dependent on nature of industry. Some of them are not applicable to financial companies however it does not affect the study as our sample includes only non-financial companies. On the basis of disclosures requirements of accounting standards a questionnaire consisting of 171 items of disclosures has been prepared. The disclosures requirements have been broken down carefully into 171 items to ensure that they can be answered objectively. Following Table 2 provides no. of points considered from each Accounting Standard.

Table 2. No. of Disclosers considered as per the requirements from each Accounting Standard

No.	Name of Standard	No. of Disclosures
AS-1	Disclosures of accounting policies	2
AS-2	Valuation of inventories	3
AS-3	Cash Flow Statements	7
AS-4	Contingencies and Events Occurring After the Balance Sheet Date	2
AS-5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	2
AS-6	Depreciation Accounting	7
AS-7	Construction Contracts	3
AS-8	Research and Development (Withdrawn and included in AS 26)	0
AS-9	Revenue Recognition	2
AS-10	Accounting for Fixed Assets	6
AS-11	The Effects of Changes in Foreign Exchange Rates	6
AS-12	Accounting for government grants	4
AS-13	Accounting for investments	8
AS-14	Accounting for Amalgamations	9
AS-15	Accounting for Employee Benefits	13
AS-16	Borrowing Costs	2
AS 17	Segment reporting	11
AS-18	Related Party Disclosures	8
AS-19	Leases	16
AS-20	Earnings Per Share	5
AS-21	Consolidated Financial Statements	3
AS-22	Accounting for Taxes on Income	3
AS-23	Accounting for Investments in Associates in Consolidated Financial Statements	6
AS-24	Discontinuing Operations	11
AS - 25	Interim Financial Reporting	11
AS-26	Intangible Assets	3
AS-27	Financial Reporting of Interests in Joint Ventures	7
AS-28	Impairment of Assets	5
AS-29	Provisions, Contingent Liabilities and Contingent Assets	6
	Total	**171**

Disclosure index has been computed by unweighted approach because each item of disclosure is equally important. It also reduces subjectivity and it provides a neutral assessment of items. On the questionnaire, each item is given weightage of 1 and coded as 1 if disclosed; and 0 if not disclosed and NA if not applicable. Complete annual report for each company is read in order to understand the nature and complexity of each company's operation and to form an opinion about the company before scoring the items.

Following is the formula for computation of Disclosure Score from Disclosure Questionnaire.

DS: Disclosure Score was computed by dividing total no. of disclosures made by a company with total no. of disclosures applicable for that company.

DI = Total No. of Disclosures Made / (Total Disclosures – Disclosures Not Applicable)

4.3 Explanatory Variables

Explanatory variables used in the study are corporate governance attributes and firm attributes. Corporate governance variable included board structure variables i.e. board size (BO_SIZE), proportion of independent directors (BO_IND), no. of board meetings (BO_ACT) and average outside directorship by directors (BO_BUSY) as well as ownership and leadership variables i.e. foreign promoter holding ($FOR\_HOLDING$), institutional ownership ($INST\_HOLDING$) and CEO duality (i.e. CEO is also chairperson at the same time) (CEO_DUAL). Firm attributes used in the study as control variables are size of the firm (LOG_TA), profitability (ROA), debt level (LEV), quality of audit (Big 4/Non-big 4) (AUD_QUA) and age (LOG_AGE). Following Table 3 explains the variables chosen for the study and source of information.

Table 3. Explanations of Variables considered for the study

Variables	Explanation	Measurement	Source
Dependent Variable			
DS	Disclosure score measured through Disclosure Checklist/Questionnaire (171 points) prepared using disclosure requirements from Indian Accounting Standards (29 Accounting Standards)	1 if Disclosed 0 if not disclosed NA if not applicable	Accounting Standards issued by ICAI/Annual Reports
Explanatory variables			
BO_SIZE	Board Size i.e. no. of directors in the board	Natural logarithm of board size	Annual Reports
BO_IND	Board Independence i.e. no. of Independent directors in the board	Proportion of Independent Directors out of total board size	Annual Report
BO_ACT	Board Activeness i.e. no. of meetings conducted by board in a financial year	Natural logarithm of board meetings	Annual Report
BO_BUSY	Board Busyness i.e. Average Outside directorship by board members	Total Outside directorship/Board Size	Annual Report
FOR_HOLDING	Proportion of shares held by foreign promoters shareholders	% of Foreign promoter Shareholding	PROWESS
INST_HOLDING	Proportion of shares held by Institutional shareholders	% of Institutional Shareholding	PROWESS
CEO_DUAL	CEO Duality i.e. CEO is also a Managing Director (MD)	1 if CEO is also MD 0 otherwise	Annual Report
LOG_TA	Size - Total Assets of the firm	Natural logarithm of Total Assets	PROWESS
ROA	Profitability - Return on Assets	Profit after tax/Total Assets	PROWESS
LEV	Leverage i.e. level of Debt raised by the firm	Debt/Debt + Equity	PROWESS
AUD_QUA	Quality of Audit based on Audit firm size i.e. Big 4/Non Big 4	1 if Audited by Big 4 0 if Audited by Non-Big 4	Annual Report
LOG_AGE	Age i.e. no .of years since incorporation till 31.03.2010	Natural logarithm of company age	PROWESS

4.4 Model Construction

In order to determine the effect of Board Structure, Ownership and Leadership Structure and firm attributes on financial disclosures following models are used.

Model 1

The relationship between financial disclosure score and board structure variables are tested (using firm attributes as control variables) using following model.

$$DS = \alpha + \beta_1 BO\_SIZE + \beta_2 BO\_IND + \beta_3 BO\_ACT + \beta_4 BO\_BUSY + \beta_5 LOG\_TA + \beta_6 ROA + \beta_7 LEV + \beta_8 AUD\_QUA + \beta_9 LOG\_AGE + \varepsilon \quad (1)$$

Model 2

The relationship between financial disclosure score and ownership and leadership variables are tested (using firm attributes as control variables) using following model.

$$DS = \alpha + \beta_1 FOR\_HOLDING + \beta_2 INST\_HOLDING + \beta_3 CEO\_DUAL + \beta_4 LOG\_TA + \beta_5 ROA + \beta_6 LEV + \beta_7 AUD\_QUA + \beta_8 LOG\_AGE + \varepsilon \quad (2)$$

Model 3

The relationship between financial disclosure score, board structure, ownership variables and firm attributes are tested using following model.

$$DS = \alpha + \beta_1 BO\_SIZE + \beta_2 BO\_IND + \beta_3 BO\_ACT + \beta_4 BO\_BUSY + \beta_5 FOR\_HOLDING + \beta_6 INST\_HOLDING + \beta_7 CEO\_DUAL + \beta_8 LOG\_TA + \beta_9 ROA + \beta_{10} LEV + \beta_{11} AUD\_QUA + \beta_{12} LOG\_AGE + \varepsilon \quad (3)$$

5. Results and Discussions

5.1 Descriptive Statistics

Descriptive statistics of the variables considered in the study are provided in following Table 4:

Table 4. Descriptive Statistics

	Maximum	Minimum	Mean	Std. Deviation
DS	1	0.46	0.73	0.18
BO_SIZE	24	3	8.39	3.63
BO_IND	12	1	4.23	1.76
BO_ACT	23	4	6.64	3.00
BO_BUSY	15	0	3.14	3.45
FOR_HOLD	89.48	0	5.40	15.89
INST_HOLD	87.46	0	8.88	13.90
CEO_DUAL	1	0	0.30	0.46
Total assets (In Millions)	732820.5	0.1	28862.50	79538.26
Profitability –ROA	2.977	-2	0.02	0.23
Debt (In Millions)	126378.50	0.00	5107.34	15962.70
Age (No. of Years)	147	2	29.88	20.14
Audit Quality (Dummy)	1.00	0	0.19	0.39

DS: Disclosure score. BO_SIZE: Natural logarithm of no. of directors in the board. BO_IND: Proportion of Independent Directors out of total board size. BO_ACT: Natural logarithm of board meetings. BO_BUSY: Total Outside directorship/Board Size. FOR_HOLD: % of foreign promoter Shareholding. INST_HOLD: % of Institutional Shareholding. CEO_DUAL: 1 if CEO is also MD, 0 otherwise

It can be observed that average Disclosure Score (DS) of overall sample is 73%. Highest disclosure is 100% and lowest is 46%. Maximum board size of 24 and minimum 3 is reported. This shows that all the companies in sample complied with minimum board size of 3 members as required by Indian Companies Act. Minimum board activity i.e. no. of board meetings has been found to be 4 which is in line with the regulatory requirement. When it comes to board busyness i.e. outside directorship, it has been observed that maximum average directorship is 15 which are also within the limit set by regulators. We did not notice any non-compliance with Corporate Governance norms.

5.2 Financial Disclosure score and variable descriptions

To check the level of compliance, disclosure questionnaire is constructed using disclosures required by each accounting standards. Disclosure Score has been assigned to each company. Following Table 5 provides range of disclosure achieved by companies.

Table 5. Range of Disclosure Score

DS	No. of Companies	% of Companies
91-100	72	22.15%
81-90	55	16.92%
71-80	37	11.38%
61-70	47	14.46%
51-60	82	25.23%
41-50	32	9.85%
	325	**100.00%**

DS: Disclosure Score

It has been observed that 25.23 % of companies have score between 51 to 60% and 22.15% of companies could achieve score between 91 to 100%. About 10% of the sample companies had very law score between 41 to 50%.

We also provide variable description for different range of disclosure score in Table 6.

Table 6. Variable Description at different Disclosure score level

DS	No. of Companies	% of Companies		Board Size	Inde. Direc.	Prop IDs	No. of meetings	Outside Directorship	Avg. Outside Directorship	Foreign Promoter Holding	Institutional Investor Holding
91-100	72	22.15%	Mean	10.03	4.58	0.53	6.42	38.87	3.84	9.45	12.94
			Max	23	12	1	17	140	15	89.48	87.46
			Min	4	2	0.15	4	0	0	0	0
			SD	4.24	2.28	0.24	2.90	32.49	3.24	22.29	17.13
81-90	55	16.92%	Mean	8.45	4.40	0.58	6.78	35.00	3.82	8.62	7.80
			Max	20	9	1	18	140	15	79.98	42.53
			Min	3	1	0.09	4	0	0	0	0
			SD	3.66	1.71	0.22	3.10	37.08	4.47	19.54	12.47
71-80	37	11.38%	Mean	8.05	4.22	0.58	6.68	34.29	3.98	9.61	10.81
			Max	19	7	1	15	119	14.33	69.45	43.18
			Min	3	2	0.18	4	0	0	0	0
			SD	2.83	1.36	0.23	2.56	33.46	4.04	19.84	12.66
61-70	47	14.46%	Mean	7.77	4.02	0.55	6.87	24.85	2.92	2.48	6.84
			Max	16	8	1	17	121	11.80	45.99	53.05
			Min	3	1	0.13	4	0	0	0	0
			SD	2.80	1.65	0.21	3.31	23.02	3.09	9.55	12.19
51-60	82	25.23%	Mean	7.62	4.12	0.57	6.89	20.18	2.18	1.35	8.54
			Max	16	8	1	23	61	12.20	33.80	48.32
			Min	3	2	0.15	4	0	0	0	0
			SD	2.93	1.58	0.19	3.33	16.85	2.67	5.28	14.22
41-50	32	9.85%	Mean	7.87	3.68	0.55	5.84	16.78	2.23	0.41	3.10
			Max	24.00	7	1	11	51	10.75	8.49	35.45
			Min	4	2	0.17	4	0	0	0	0
			SD	4.62	1.40	0.23	2.05	15.77	2.68	1.69	7.26
	325	**100.00%**									

We can observe that companies with higher board size (mean of 10.3) and outside directorship (mean of 38.87) have achieved higher disclosure score (between 91 to 100%). The average proportion of independent directors remains almost same at different level of disclosure score. This may be because most of the companies have just complied with the regulatory requirement (Mean is 57% to 61% across different ranges of disclosure scores). Higher average of foreign promoter holding (mean between 8 to 10%) is observed for companies with higher disclosure range (71 to 100%). Average institutional ownership is higher (12.94 and 10.81%) for the firm with higher disclosures score range (91 to 100 and 71 to 80%).

5.3 Correlation Analysis

We present Pearson correlations in Table 7 to identify possible correlations between variables considered in the study.

Table 7. Pearson Correlations

	DS	BO_SIZE	BO_IND	BO_ACT	BO_BUSY	FORPROM_HOLD	INST_HOLD	CEO_DUAL	ASSETS	ROA	LEV	AUD_QUA	AGE
DS	1												
BO_SIZE	.274**	1											
BO_IND	-.021	-.498**	1										
BO_ACT	.056	.108	.068	1									
BO_BUSY	.217**	-.037	.063	-.013	1								
FOR_HOLDING	.231**	.053	-.004	.074	.175**	1							
INST_HOLDING	.151**	.144**	-.028	.078	.407**	.152**	1						
CEO_DUAL	-.015	.010	.004	.065	-.072	-.056	-.025	1					
LOG_TA	.270**	.184**	.034	.068	.595**	.248**	.530**	.029	1				
ROA	.183**	.218**	.055	.169**	.151**	.182**	.207**	.052	.228**	1			
LEV	-.001	.033	.068	.173**	.098	.184**	.189**	.034	-.066	.120*	1		
AUD_QUA	.293**	.183**	.008	.019	.211**	.193**	.287**	-.009	.303**	.120*	.061	1	
LOG_AGE	.030	-.017	.016	-.048	.253**	.150**	.137*	-.061	.237**	.029	.001	.018	1

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

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

DS: Disclosure score. BO_SIZE: Natural logarithm of no. of directors in the board. BO_IND: Proportion of Independent Directors out of total board size. BO_ACT: Natural logarithm of board meetings. BO_BUSY: Total Outside directorship/Board Size. FOR_HOLD: % of foreign promoter Shareholding. INST_HOLD: % of Institutional Shareholding. CEO_DUAL: 1 if CEO is also MD, 0 otherwise. LOG_TA: Natural logarithm of Total Assets. ROA: Profit after tax/Total assets. LEV: Debt/Debt + Equity. AUD_QUA: 1 if Audited by Big 4 and 0 if Audited by Non-Big 4. LOG_AGE: Natural logarithm of company age.

The results suggest that disclosure score is correlated with board size, board busyness, foreign holding and institutional holding. Amongst firm attributes; size, profitability and audit quality are found to be significantly correlated with disclosure score.

Higher correlations (.59) have been found between board busyness and size of the firm and also between institutional holding and size of the firm (.53). Other significant correlations are highlighted in the table. Considering several significant correlations amongst variables, we have also tested the data for multicollinearity by calculating VIF values. The results are presented in Table 8 along with regression results and shows that Maximum VIF is 2.33 amongst all the models used in the study. Since the VIF is less than 10, multicollinearity problem is not cause of concern (Myers, 1990).

5.4 Regression Results

We present regression results in for models tested using OLS in Table 8.

Model 1 considers board structure variables as independent variables along with firm characteristics as control variables. We find positive association between board busyness and disclosures as well as between board size and disclosure. Our results support resource dependency theory which suggests that board of directors provide essential resources in the form of knowledge and expertise and agency theory which suggests the monitoring role of directors (Hillman & Dalziel, 2003; Nicholson et. al., 2007). Several studies have also indicated that larger boards reduce dominance of CEO (Forbes and Milliken, 1999; Goodstein et. al., 1994) which may encourage more disclosures for stakeholders. However, we do not find any association between board independence and disclosure as well as between board activeness and disclosure.

Model 2 considers ownership structure variables as independent variables along with firm characteristics as control variables. We find positive association between foreign shareholding and disclosures. This may be because firm with foreign holdings are mainly multinationals and accountable to various regulatory requirements. Haniffa (2002) and Singhvi (1968) also found proportion of foreign ownership as significantly related level of disclosure. We do not find any association between institutional investors' shareholding and disclosures. Our result do not see any impact of CEO duality (CEO also being MD) on disclosures and it does not support that CEO duality will negatively affect disclosures.

Table 8. Regression Results

Regression Estimates (Dependent Variable: Disclosure Score) (N=325)						
	Model 1		**Model 2**		**Model 3**	
	Coefficients	**t-stat**	**Coefficient**	**t-stat**	**Coefficients**	**t-stat**
BO_SIZE	0.220	3.329***			0.235	3.591***
BO_IND	0.065	1.271			0.075	1.475
BO_ACT	-0.009	-0.162			-0.016	-0.292
BO_BUSY	0.008	2.284**			0.008	2.439**
FOR_HOLDING			0.002	2.804***	0.002	3.144***
INST_HOLDING			0	-0.061	0	-0.228
CEO_DUAL			-0.002	-0.076	0.005	0.239
LOG_TA	0.008	0.789	0.021	2.004**	0.004	0.33
ROA	0.089	1.906*	0.101	2.175**	0.089	1.925*
LEV	0.001	0.454	0.001	0.434	0.001	0.45
AUD_QUA	0.092	3.668***	0.101	3.996***	0.083	3.296***
LOG_AGE	-0.020	-0.571	-0.023	-0.660	-0.031	-0.891
Constant	0.462	4.609	0.664	12.406	0.47	4.704
R2	0.165		0.148		0.192	
Adj R2	0.141		0.126		0.16	
F value	6.839		6.781		6.091	
P value	0		0		0	
Max. VIF	1.817		1.662		2.223	
*** Significant at 0.01 level						
** Significant at 0.05 level						
*Significant at 0.1 level						

DS: Disclosure score. BO_SIZE: Natural logarithm of no. of directors in the board. BO_IND: Proportion of Independent Directors out of total board size. BO_ACT: Natural logarithm of board meetings. BO_BUSY: Total Outside directorship/Board Size. FOR_HOLD: % of foreign promoter Shareholding. INST_HOLD: % of Institutional Shareholding. CEO_DUAL: 1 if CEO is also MD, 0 otherwise. LOG_TA: Natural logarithm of Total Assets. ROA: Profit after tax/Total assets. LEV: Debt/Debt + Equity. AUD_QUA: 1 if Audited by Big 4 and 0 if Audited by Non-Big 4. LOG_AGE: Natural logarithm of company age.

In model 3 we consider all the board structure variables, ownership Structure variables and firm characteristics as independent variables. Our results are consistent with model 2 and 3 as we find board size, board busyness and foreign shareholding as significant variables positively affecting disclosures. Amongst firm characterists as control variables (in model 2, 3 and 4), audit quality is significant for all models, however size is significant only in model 2. Profitability is also significant consistently (at 10% level in Model 1 and 3 and at 5% level in Model 2). We do not find any association between age and disclosures.

6. Conclusions

Considering the importance of disclosures and effective corporate governance in increasing investors' confidence and bring accountability to the stakeholders, the study aims at identifying possible impact of board structure, ownership structure and firm attributes on financial disclosure. We find that average disclosure score for listed Indian companies are low (73%) the minimum being just 46%. These scores indicate that there are many companies who do not comply with disclosure requirements of accounting standards. This is alarming, considering the fact that we have only considered listed companies which are audited and supervised by the Stock exchange and Securities and Exchange Board of India (SEBI). However, we did not notice any non-compliance with Corporate Governance norms.

We provide mixed evidence for agency theory and resource dependence theory when we test impact of board structure variables on financial disclosure controlling for firm attributes. We find board size and board busyness (outside directorship) to be positively related to financial disclosure. Larger board plays effective monitoring role (agency theory) and also brings knowledge and expertise which improves disclosures (resource dependency theory). Their exposure to different business environments through outside directorship (resource dependency theory) is also found to be positively affecting disclosures. We do not find any influence of board independence (agency theory) and board activity on disclosures.

Considering ownership concentration variables we find foreign promoter holding to be associated with disclosures. This may be because foreign promoters have to comply with various regulatory requirements from different countries. We do not find any influence of higher institutional ownership on financial disclosure. Our findings do not support the view that CEO duality may compromise the disclosure (agency theory). We do not find any impact CEO duality (CEO and MD being same) on disclosures.

Findings of the paper are subject to a few limitations. We had to exclude several companies due to non-availability of annual report. The compliance level of such companies may be low but we are unable to capture the same. We rely on financial statements and other information as published in the annual report. We are unable to know the correctness of such information. We have considered accounting standards disclosures which are mainly financial disclosures. This study can be further extended by considering non-financial disclosures made by the companies.

Despites limitations, our study provides useful insights for policy makers and regulators. It can act as feedback to standard setting bodies and regulators. The low disclosure scores signal the need for better monitoring by SEBI and ICAI. We also see influence of corporate governance variables on disclosures and this may help policy makers to frame appropriate policies so that effective corporate governance also leads to improved disclosures.

Notes

1. The Confederation of Indian Industry (CII) released a final report entitled “Desirable Corporate Governance: A Code” in April 1998. Available at http://www.acga-asia.org/public/files/CII_code_1998.pdf.
2. “Report of Committee Appointed by SEBI on Corporate Governance under the chairmanship of Shree Kumar Mangalam Birla” (Birla Committee Report). Available at http://www.sebi.gov.in/commreport/corpgov.html.
3. Kumar Mangalam Birla is an Indian industrialist and the Chairman of the Aditya Birla Group, one of the largest conglomerate corporations in India.
4. Big 4 Auditors considered in the paper are Deloitte, PwC, E & Y and KPMG based on their revenues from professional audit and related services provided by them globally.

References

1. Adams, R. (2003), "*What do Boards do? Evidence from Board Committee and Director Compensation data"*, Working Paper, University of Queensland.
2. Ahmed, K. and Nicholls, D. (1994), "The Impact of Non-Financial Company Characteristics on Mandatory Disclosure Compliance in Developing Countries: The Case of Bangladesh", *The International Journal of Accounting*, 29: 62–77.
3. Apostolos, K. A. and Konstantinos, A. N. (2009), "Voluntary accounting disclosure and corporate governance: evidence from Greek listed firms", *International Journal of Accounting and Finance*, 1(4): 395 – 414.
4. Barako, Dulacha G. and Hancock, Phil and Izan, H.Y. (2006), "Factors Influencing Voluntary Corporate Disclosure by Kenyan Companies", *Corporate Governance: An International Review*, 14 (2):107-125.
5. Baysinger, B. D. & Butler, H. (1985), "Corporate governance and the board of directors: Performance effects of change in board composition", *Journal of Law, Economics, and Organization*, 1: 101– 134.
6. Beasley, Mark. (1996), "An empirical analysis of relationship between board of director composition and financial statement fraud", *The Accounting Review*, 71: 443-465.
7. Belkaoui A and Kahl. (1978), "*Corporate Financial Disclosures in Canada"*, Research Monograph of the Canadian Certified General Accountants Association, *Vancouver*.
8. Bhagat, S. & Bolton, B. (2008), "Corporate governance and firm performance", *Journal of Corporate Finance*, 14: 257–273.
9. Bradbury, M. E. (1992), "Voluntary Disclosure of Financial Segment Data: New Zealand Evidence", *Accounting and Finance*, 32: 15–26.
10. Bushee, B. J. and Noe, C. F. (2000), "Corporate Disclosure Practices, Institutional Investors and Stock Return Volatility", *Journal of Accounting Research*, 38(Supplement) : 171–202.
11. Buzby, S. L. (1974), "Selected items of Information and their Disclosure in Annual Reports", *The Accounting Review*, 49 (3): 423-435.
12. Carson, E. and Simnett, R. (1997). "Voluntary Disclosure of Corporate Governance Practices". *University of New South Wales*.
13. Cerf, A. R. (1961), "*Corporate Reporting and Investment Decisions"*, Berkley, CA: University of California Press.
14. Chen, J.P., Charles, & Jaggi, B. L. (1998), "The Association between independent nonexecutive directors, family", *Journal of Accounting and Public Policy* 19 : 285-310.
15. Choi, F. D. S. (1973), "Financial disclosure and entry to European Markets", *Journal of Accounting Research*, 11: 159-179.
16. Chow, C.W., and Wong-Boren, A. (1987), "Voluntary Financial Disclosure by Mexican Corporations", *The Accounting Review*, 62:533-541.
17. Coles, J. W., McWilliams, V. B., & Sen, N. (2001), "An examination of the relationship of governance mechanisms to performance", *Journal of Management*, 27: 23–50.
18. Cooke, T E. (1992), "The Impact of Size, Stock Market Listing and Industry Type on the Disclosure in the

Annual Reports of Japanese Listed Corporations", *Accounting and Business Research*, 22:229-237.

19. Craswell, A.T. and Taylor, S.L. (1992), "Discretionary Disclosure of Reserves by Oil and Gas Companies: An Economic Analysis", *Journal of Business Finance and Accounting*. 19 (2) :295-308.
20. Davila, M., & Watkins, K. (2009), "*Corporate Governance and Turnovers in Mexico"*, Working Paper, Universidad Popular Auto´noma de Puebla.
21. De Angelo, L. (1981), "Auditor size and audit quality", *Journal of Accounting and Economics*, 3 :183-199.
22. Erhardt, N. L., Werbel, J., & Sharder, C. B. (2003), "Board of director diversity and firm financial performance", *Corporate Governance: An International Perspective*, 11: 102–111.
23. Fama, E., & Jensen, M. C. (1983), "Separation of ownership and Control", *Journal of Law and Economics*, 26(2): 301–325.
24. Ferraz, L., Fernandez, H., & Louvel, P. (2011),"Um ı´ndice de avaliac¸a˜o da qualidade da governanc¸a corporativa no Brasil", *R. Cont. Fin. – USP, Sa˜o Paulo,* 22(55): 45–63.
25. Forbes, D. P. & Milliken, F. (1999), "Cognition and corporate governance: Understanding board of directors as strategic decision: Making groups", *Academy of Management Review*, 3:489-505.
26. Forker, J. J. (1992), "Corporate governance and disclosure quality", *Accounting and Business Research*, 22 (86): 111-124.
27. Garcia Lara, J., Garcia Osma, B., & Pen˜alva, F. (2009), "Accounting conservatism and corporate governance", *Review of Accounting Studies*, 14(1):161–201.
28. Giner, B. (1997), "The influence of company characteristics and accounting regulation on information disclosed by Spanish firms", *The European Accounting Review*, 6(1):45-68.
29. Goodstein, J., Gautam, K., & Boeker, W. (1994), "The effects of board size and diversity on strategic change", *Strategic Management Journal*, 22:1087-1111.
30. Haniffa, R. M. and Cooke, T. E. (2002), "Culture, Corporate Governance and Disclsoure in Malaysian Corproations", *Abacus*, 38: 317–349.
31. Hashim, H. A., & Devi, S. S. (2008), "Board Independence, CEO duality and accrual management Malaysian evidence", *Asian Journal of Business and Accounting*, 1(1) : 27–46.
32. Hillman, A. J., and Dalziel, T. (2003), "Boards of directors and firm performance: Integrating agency and resource dependence perspectives", *Academy of Management Review*, 28: 383-396.
33. Hossain, M., and Adams, M. (1995), "Voluntary Financial Disclosure by Australian Listed Companies", *Australian Accounting Review*, 5: 45-55.
34. Jackling, B., & Johl, S. (2009), "Board structure and firm performance: Evidence from India's top companies", *Corporate Governance: An International Review*, 17(4): 492– 509.
35. Jensen, M. & Meckling, W. (1976), "Theory of the firm: Managerial", *Journal of Financial Economics*, 3(4) : 305–360.
36. Jensen, M. (1986), "Agency costs of free cash flow, corporate finance, and takeovers", *American Economic Review*, 76 : 323–329.
37. Joshi P L and Mudhahki Jawahar Al. (2001), "Empirical Study of Compliance with International Accounting Standards (IAS-1) by Sock Exchange Listed Companies in Bahrain", *Journal of Financial Management and Analysis*, 14(2): 43-54.
38. Karim, A.K.M.W. (1996), "The association between corporate attributes and the extent of corporate disclosure", *Journal of Business Studies, University of Dhaka,* 17(2): 89– 124.
39. Klapper, L. F. & Love, I. (2004), "Corporate governance, investor protection", *Journal of Corporate Finance*, 10: 703–728.
40. L.L. Eng, Y.T. Mak. (2003), "Corporate governance and voluntary disclosure", *Journal of Accounting and Public Policy*, 22(4), 325-345.
41. La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2000), "Investor protection and corporate governance", *Journal of Financial Economics*, 58: 3–27.
42. Lang, M., and Lundholm, R. (1993), "Cross-Sectional Determinants of Analyst Ratings of Corporate Disclosures", *Journal of Accounting Research*, 31(2) : 246-271.
43. Lang M. & Lundholm R. (2000), "Voluntary disclosure and equity", *Contemporary Accounting Research*, 17(4): 623–669.
44. Leftwich, R., Watts, R., & Zimmerman, J. (1981), "Voluntary corporate disclosure: the case of interim reporting", *Journal of Accounting Research*, 19: 50–77.
45. Leuz, C., Nanda, D., & Wysocki, P. (2003), "Earnings management", *Journal of Financial Economics*, 69(3): 505–527.
46. Lipton, Martin and Jay W. Lorsch. (1992), "A modest proposal for improved corporated governance" , *Business Lawyer*, 48: 59-77.
47. Lobo, G.J., & Zhou, J. (2001), "Disclosure quality and earnings management", *Asia–Pacific Journal of Accounting and Economics Symposium.* Hong Kong.
48. McKinnon, J.L. and Dalimunthe, L. (2009), "Voluntary disclosure of segment information by Australian diversified companies", *Accounting and Finance*, 33 (1): 33-50.
49. Menon, K., & Williams, J. (1994), "The use of Audit Committee for monitoring", *Journal of Accounting and Public Policy*, 13(2) :121-139.
50. Mora, A and Rees, W. (1998), "The early adoption of consolidated accounting in Spain", *European Accounting Review*, 7 (4) : 675-696.
51. Myers, R. H. (1990), "*Classical and modern regression with applications*" (2nd Edition), Boston:PWS-Kent.
52. Nangia, R S. (2005), "*Disclosures Practices Of Corporate Sector*", New Century Publications.
53. Nazli A. Mohd Ghazali, (2008), "Voluntary disclosure in Malaysian corporate annual reports: views of stakeholders", Social Responsibility Journal, Vol. 4 Iss: 4, pp.504 - 516
54. Nicholson, G.J. & Kiel, G.C. (2007),"Can directors impact performance? A case-based test of three theories of corporate governance", *Corporate Governance- An International Review*, 15: 585-608.
55. Owusu Ansah, S. (1998), "The Impact of Corporate Attributes on the Extent of Mandatory Disclosure and Reporting by Listed Companies in Zimbabwe", *The International Journal of Accounting*, 33: 605-631.
56. Patelli, L., & Prencipe, A. (2007), "The relationship between voluntary disclosure and independent directors in the presence of a dominant shareholder",*European Accounting Review*, 16: 5–33.

57. Pearce, J., & Zahra, S. (1992), "Board composition from a strategic contingency perspective", *Journal of Management Studies*, 29: 411–438.
58. Pfeffer, J. (1972), "Size and composition of corporate boards of director", *Administrative Science Quarterly*, 17: 218-229.
59. Rahman, R., & Ali, F. (2006), "Board, audit committee, culture and earnings management: Malaysian Evidence", *Managerial Auditing Journal*, 21(7): 783.
60. Rajagopalan, N. & Zhang, Y. (2008), "Corporate governance reforms in China and India: Challenges and opportunities", *Business Horizons*, 51: 55–64.
61. Rosenstein, S., & Wyatt, J. G. (1990), "Outside directors, board independence and shareholder wealth", *Journal of Financial Economics*, 26 : 175–192.
62. Roshima Said, Yuserrie Hj Zainuddin, Hasnah Haron, (2009), "The relationship between corporate social responsibility disclosure and corporate governance characteristics in Malaysian public listed companies", Social Responsibility Journal, Vol. 5 (2), pp.212 - 226.
63. Seshan, S A., & Gujarathi, M R (1980), "A Survey of Financial Reporting Practices in India", Ahmadabad: Indian Institute of Management.
64. Simon S.M Ho, Kar Shun Wong. (2001), "A study of the relationship between corporate governance structures and the extent of voluntary disclosure", *Journal of International Accounting, Auditing and Taxation*, 10 (2) : 139-156.
65. Singhvi, S. S. (1968), "Corporate Disclosure Through Annual reports in United States of America and India", *Unpublished Thesis, Columbia University*.
66. Singhvi and Desai. (1971),"An Empirical Analysis of the Quality of Corporate Financial Disclosure",*The Accounting Review*, 46 (1), 129-138.
67. Wallace R S O, Naser K and Mora A. (1994), "Relationship between the Comprehensiveness of Corporate Annual Reports and Firm Characteristics in Spain", *Accounting and Business Research*, 25 (97) pp. 41-53.
68. Wallace, W.A. (1980), "*The economic role of the audit in free and regulated markets*", Touche Ross: New York .
69. Watts, Ross L. and Zimmerman, Jerold L. (1986), "*Positive Accounting Theory*", Prentice-Hall Inc.